International Personal Finance

Annual Report
and Financial Statements 2013

WORKING IN PARTNERSHIP

WHO WE ARE

We are a leading international provider of consumer credit operating in Central and Eastern Europe and Mexico. We have a good track record of creating value for our shareholders and have a clearly defined strategy which is delivering growth.

Our vision is to make a difference in the everyday lives of our customers by offering simple and personalised financial products. We provide small, unsecured, short-term loans to 2.6 million customers who are underserved by existing financial institutions. We have a unique personal relationship with our customers. One of our agents meets their customer before each loan is granted and visits our home service customers every week to collect repayments.

We promote inclusive and responsible lending and believe that meeting our corporate and social responsibilities is essential to maintaining a sustainable business and adding shareholder value.

View the webcast of our full year results at:
www.ipfin.co.uk/investors

International Personal Finance plc ('IPF'). Company number: 6018973.
Percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate ('CER') for 2013 in order to present the underlying performance variance.

The 2012 profit numbers for each market have been restated throughout this statement to show a like-for-like comparison with 2013. This reflects the decision made as part of our 2012 year end results announcement that, from 2013 onwards, we allocate interest to each market using the Group's equity to receivables ratio and weighted average margin of debt funding.

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See how we are working in partnership with our stakeholders.
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OUR AWARDS IN 2013

Receiving awards is important to us. They demonstrate that our products and services are valued by our customers and recognise the trust we have built in the communities we serve.

FTSE4Good

Demonstrating our commitment to being a responsible business, we scored 99/100 for our environmental and social governance initiatives, up from 96/100 in 2012. This ranks us amongst the world's best-scoring financial services companies.

Poland

The engagement of our people is key to our growth ambitions. Our Polish business has been recognised as one of the best employers in Poland. We won a Top Employers 2013 award for the excellent working conditions and development opportunities that we provide for our employees.

Mexico

Highlighting our aim to be a good corporate citizen, Provident Mexico was recognised as a socially responsible company by the Mexican Centre of Philanthropy and the Alliance for corporate social responsibility for the eighth year running.

Czech Republic

Supporting our strategy to improve customer engagement and retention, the Golden Purse Award, voted by the Czech general public, recognises Provident in the Czech Republic as one of the best providers of consumer credit in the country for customer service and the products we offer.

Hungary

A positive reputation supports our strategic aims. Having established a top reputation in the consumer credit marketplace as well as providing products that our customers value, Provident Hungary was awarded Superbrand status in 2013 for the first time.

Romania

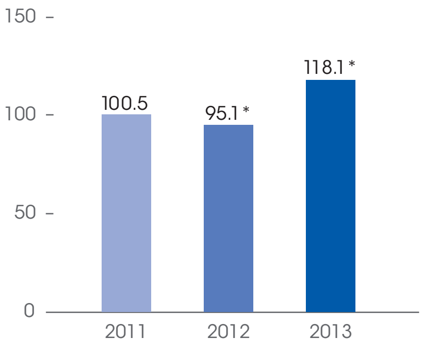
Provident Romania received a 'Best Partner' award from the Bucharest Police Department for its neighbourhood safety project designed to promote personal safety awareness in partnership with the Resource Centre for Public Participation.

A year of growth

- Record full year profit before tax* up 24% to £118.1 million reflecting strong underlying growth of £27.1 million and after absorbing £4.4 million investment in new market expansion
- Statutory profit before tax of £130.5 million
- Strategy delivering growth in customer numbers, credit issued and revenue
- Stable credit quality and improved cost-income ratio
- Earnings per share 35.5 pence, up 29%
- Dividend 9.3 pence per share, up 20%
- £60M share buyback programme completed

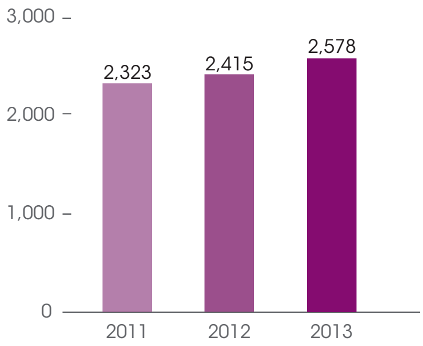
Profit before tax (£M)

£118.1M +24%



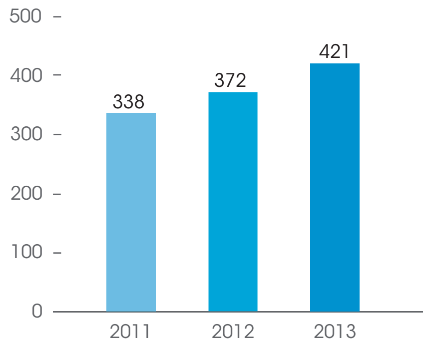
Customers ('000)

2,578 +7%



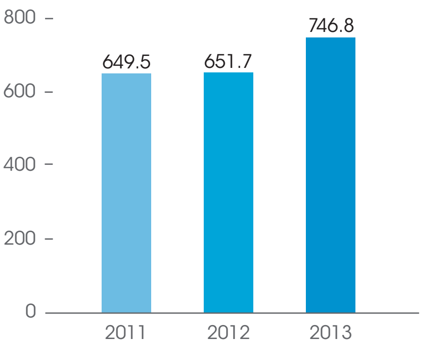
Credit issued per customer (£)

£421 +9%



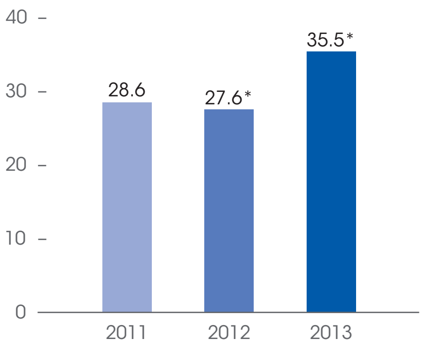
Revenue (£M)

£746.8M +11%



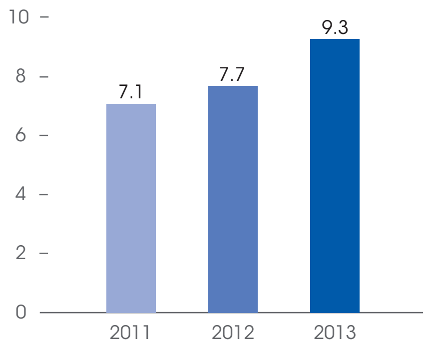
EPS (p)

35.5p +29%



Dividend per share (p)

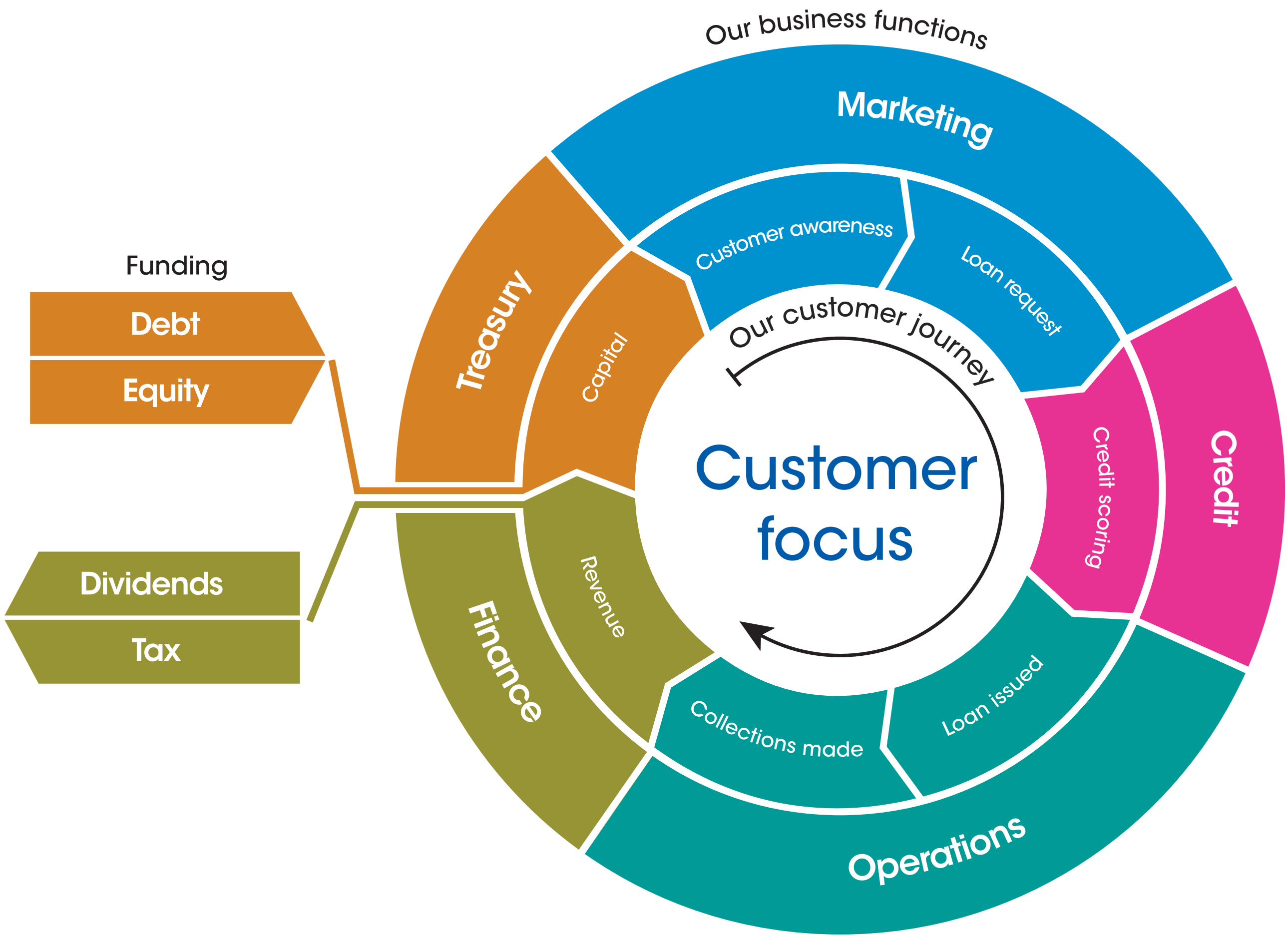
9.3p +20%



* Excluding an exceptional gain of £12.4 million.

See page 26 – Operational review

How we create value



Our business model is well-established and offers significant growth potential with high levels of profitability and cash generation.

Our customer journey

We have worked hard to build the Provident brand and generate high awareness levels in our established markets. Customers respond to our advertising and contact our call centre or an agent to request a loan. Our credit management systems, together with the knowledge of our agents and Development Managers, support the decision to offer or decline a loan. If the application is successful and the customer chooses our money transfer product, the loan will be delivered to their bank account. Where customers choose our home service, they will receive their loan in their home. Repayments are made weekly over the term of the loan which is, typically, around 12 to 14 months. Retaining customers is central to achieving our growth and financial ambitions. Customers with a good repayment profile are offered subsequent loans.

Home credit

We offer home credit – unsecured, short-term cash loans to people who want to borrow a small amount of money. Typically our customers borrow £100 to £1,000 and repay their loans weekly in small, affordable amounts. Customers can repay their loan by money transfer to a bank account or through our optional home service delivered by our network of agents. In Mexico, the business model is slightly different and includes the home service for all customers. The total amount payable comprises the loan amount and the charge for credit and other services, which is generally fixed at the outset of the loan.

Our customers

A typical customer is underserved by mainstream lenders, often has no credit history and may be taking a loan from a financial organisation for the first time. Customers who have taken credit before may have used store credit to purchase household items or borrowed from friends and family.

They have average to slightly below average incomes and approximately 55% of customers are female. They are looking to borrow money for a specific purpose and do not want to borrow more than they need. We only lend to customers who can prove they have a regular, secure income and can afford their repayments.

The majority of our customers benefit from our home service provided by our agents because they like the convenience of being able to arrange loans and make repayments in their own home, at a time that suits them. Customers also take comfort from the fact that with the home service option there are no extra charges for missed or late repayments.

The routine and convenience of a weekly home visit by an agent also helps our customers to make their loan repayments regularly and reduces the risk of them falling behind with their repayments.

Strong personal relationships

Strong personal relationships between our customers, agents and Development Managers are at the core of our business. Agents are responsible for developing and maintaining good relationships with their customers and growing their agency. They report to a Development Manager who gives guidance and support during regular meetings.

The weekly, face-to-face contact with customers distinguishes us from most other financial services providers and this is key to customer retention and growth. It helps us understand our customers' circumstances and allows agents to assess new loan opportunities for good quality, profitable customers.

Responsible lending

Our bespoke credit scoring processes and the expertise of our agents help reduce the risk of customers falling behind with their repayments. We employ a 'low and grow' approach to lending, starting new customers with a small loan. Only when they have demonstrated their ability and willingness to repay their first loan will we offer a larger amount, if they require it and subject to an income and expenditure review by an agent or Development Manager. Our agents are paid largely on the amount of money they collect rather than what they lend so it is not in their interest to lend more than their customers can afford to repay.

Sustainable profitability

Our business model is cash and capital generative as a result of healthy margins coupled with the short-term nature of our loan book. We aim to grow profit through expanding our customer base and giving good quality customers the opportunity to borrow larger amounts. While we look to expand our footprint and introduce new products, retaining the unique relationship between our customers, their agent and the Development Manager will remain at the core of our model.

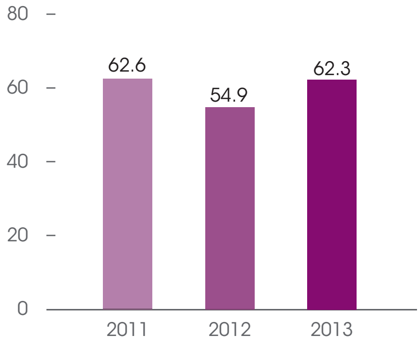
See page 22 – Our strategy and Key Performance Indicators

We provide home credit in markets where demand for credit is growing and consumers are relatively underserved. We operate in eight markets across Europe and Mexico.

POLAND AND LITHUANIA

Profit before tax (£M)

£62.3M +13%

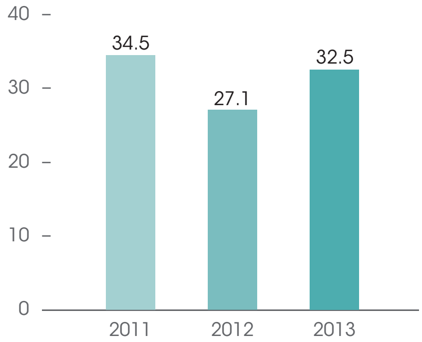


Our Polish business had another excellent year delivering a strong set of results and the launch of Lithuania. Poland also spearheaded our global change programme, ProXXI, to improve the way we serve customers.

CZECH REPUBLIC AND SLOVAKIA

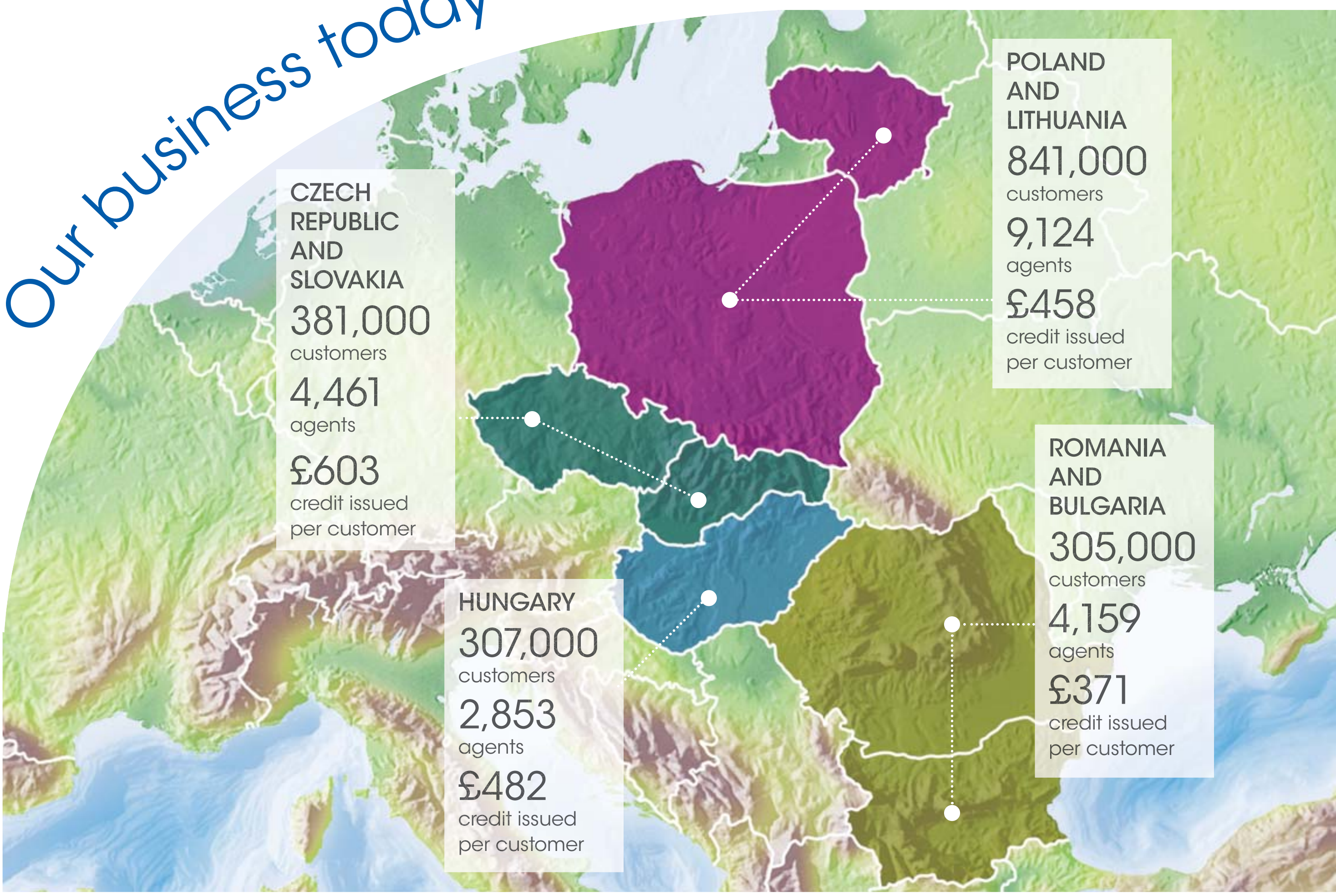
Profit before tax (£M)

£32.5M +20%



Our team in the Czech Republic and Slovakia delivered good growth in credit issued and a strong 20% increase in profit following a challenging year in 2012.

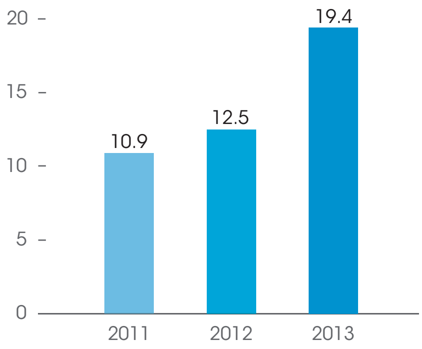
Our business today



HUNGARY

Profit before tax (£M)

£19.4M +55%

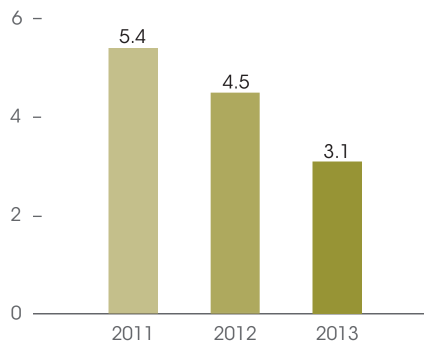


Our Hungarian business goes from strength to strength achieving more than 300,000 customers, an excellent trading performance and 'Superbrand' status.

ROMANIA AND BULGARIA

Profit before tax (£M)

£3.1M -31%

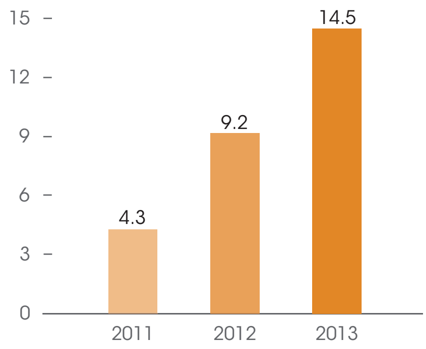


Romania is firmly back in growth mode passing the 300,000 customer milestone in Q4. Excluding the £2.5 million investment in Bulgaria, our business in Romania reported a profit of £5.6 million, up 24% on the prior year.

MEXICO

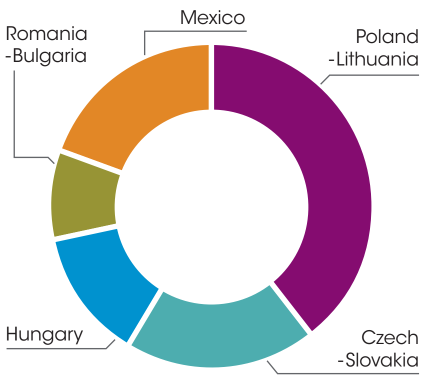
Profit before tax (£M)

£14.5M +58%



Mexico remains on track to deliver its objective of £33 profit per customer by 2015. Strong growth in credit issued and revenue drove an increase in profit per customer from £14 to £21 and reported profit of £14.5 million, up 58%.

Revenue contribution by market



Geographic expansion is integral to our growth strategy. In 2013 we expanded our operations in Mexico and Romania, and entered Lithuania and Bulgaria.

CHAIRMAN'S STATEMENT

Christopher Rodrigues
Chairman

A significant year

2013 was a significant year for IPF, building on the foundations of our Strategy for Growth which were laid down in 2012. Our strategy is now embedded across the Group and building momentum. We delivered a strong trading performance across all of our markets, reinforcing our belief in our strategic direction. I am delighted to see the levels of growth achieved and record profit before tax and exceptional items of £118.1 million.

We made good progress introducing a wider range of products to our customers, for which we have seen strong demand, and entered two new markets. The value of these achievements is demonstrated in higher customer numbers, increased credit issued and improved customer retention.

A key strategic aim is to deliver greater value to our shareholders and I am particularly pleased we were able to undertake our second share buyback programme, whilst at the same time increasing the dividend by 20% to 9.3 pence per share.

Ensuring a sustainable business

This year the Board has paid close attention to increased levels of competition from short-term loan and other home credit companies, particularly in Poland and the Czech Republic. The home credit model will remain at the core of our business for the foreseeable future and we are investing to make sure it remains competitive through our global change programme. We are also exploring digital solutions that could provide incremental opportunities for growth in the medium term.

During the year we saw increased regulatory debate in our European markets. We seek open and constructive dialogue with regulators and politicians to ensure they understand the value of our home credit offer to our customers. We welcome good regulation that protects customers from those who do not have the customers' best interests at heart. The apparent change of perspective on our pricing model by the Polish regulator contradicts legal opinion we have sought and we have appealed its decision. We continue to believe our approach to pricing is both fair and transparent for all our customers. The many awards we have won in 2013 are also external recognition of our commitment to high standards of customer service. This is a clear indication that we offer products and services that our customers value.

People

I want to express my gratitude to all our agents and employees for their hard work and dedication. Our people are central to our success and the improvement in our engagement survey scores demonstrates our team's commitment to the sustainable growth of our business. We are committed to diversity in its broadest sense and recognise its importance at all levels of the Company as well as the Board. More information on diversity in our business can be found on pages 13 and 50.

We already have a share save scheme for our UK employees and, subject to shareholder approval at our AGM, we will implement a new all-employee share plan that will give employees in our international markets the opportunity to invest in the business and benefit from our success.

Board changes

During the year we looked to strengthen our executive team to support the delivery of our growth strategy. I am delighted to welcome Adrian Gardner who joined the Board as Chief Financial Officer in January 2014. Adrian has spent more than a decade as CFO across multiple sectors and brings with him a wealth of experience and proven business acumen. David Broadbent, who served as Finance Director since the Company was listed on the London Stock Exchange in 2007, has taken on the newly created role of Chief Commercial Officer. David's unrivalled knowledge of the business will help us to transform our already successful business into one that is ready for the challenges and opportunities of tomorrow.

I would also like to welcome Cathryn Riley who joined the Board as non-executive director in February 2014. Cathryn has valuable experience of major transformation programmes and the implementation of new distribution channels. John Lorimer resigned from the Board as non-executive director in April 2013 and I would like to thank him for his valued contribution to our business over the past three years.

Outlook

We are committed to working in partnership with our customers, employees and agents as well as our shareholders. We enter 2014 with strong momentum, a talented leadership team and a real desire to grow and improve our business.

Christopher Rodrigues
Chairman

Working in partnership...

We are a trusted and responsible provider of consumer credit working in partnership with our stakeholders.

The strong relationships that exist between our customers, agents and Development Managers distinguish us from most other credit providers and are key to good customer service, high retention and growth. These trusted relationships form the core of our business and help us to provide credit in a responsible, ethical and transparent way.

Our values, good governance and approach to customer service enable us to manage the social, ethical and environmental aspects of our business to deliver a long-term, positive performance that benefits all of our stakeholders.

Working in partnership
…with our customers
…with our people
…with our communities
…with our investors

Working in partnership...

"I like the helpful approach of my agent who is devoted to her job and provides the financial support that I need sometimes. Over time she eventually became my friend which was an unexpected bonus."

Lucie Seifertová
Customer
Czech Republic

...WITH OUR CUSTOMERS

"Our customers know they can contact us anytime and we are here for them. We always check their ability to repay and we only lend them the amount they can comfortably manage to repay."

Jirí Astaloš
Development Manager
Czech Republic

Typically, our customers choose home credit because they want to borrow relatively small sums that can be repaid in regular, affordable amounts. They like the convenience of our agent home service and the peace of mind this brings in that the amount owed does not go up if they miss a repayment or are late repaying their loan.

Engaging and retaining customers are key to growing the business. Treating customers fairly and delivering an excellent customer service enables us to reserve customers who have good payment histories with higher value loans. Around two-thirds of our loans are granted to existing customers and in 2013 customer retention improved for the third year running.

Having personal relationships with our customers, we are well placed to listen to how we can best serve their credit needs and it is vital that we evolve our products to keep pace with their changing behaviours.

In 2013 we made good progress introducing new products. Longer-term, higher value loans have been well received by our best customers and we are rewarding well-established, loyal customers with discounted loans. We began a pilot in Hungary offering home insurance and also introduced loans specifically for self-employed customers in Poland.

Looking ahead, we plan to develop our product range to serve our current and future customers across more sales and service channels.

See page 22 – Our strategy and key performance indicators

Lucie Seifertová
Customer
Czech Republic

Jirí Astaloš
Development Manager
Czech Republic

Korina Sughey Carvajal Luciano
Agent
Mexico

Diego Yair Martinez Grajeda
Development Manager
Mexico

Working in partnership...

"My weekly visit to my customers allows me to provide a tailored service. Whether it's advice on loan repayments or assessing their suitability for a new loan, I can help because I know their specific needs."

Korina Sughey Carvajal Luciano
Agent
Mexico

...WITH OUR PEOPLE

"My job is to support my agents so they deliver the best possible service to their customers. We have a thorough induction process but the support never ends – we are one team and we work to support each other."

Diego Yair Martinez Grajeda
Development Manager
Mexico

Our people strategy is focused on creating a culture of engagement, identifying and nurturing talent and empowering our people to be the best they can be. Our 2013 engagement survey results show a very positive picture with significant improvements made in encouraging development and understanding our mission and purpose. During the year our Polish business was named Top Employer and our Hungarian operation won the Gallup Great Workplace Award.

Diversity

We provide equality of opportunity in all aspects of employment, recruitment and progression in all our markets regardless of gender, race, age, religion or disability. We do not have a formal gender diversity policy because we believe recruitment should be based upon merit and the ability to deliver value to the business and our shareholders. We work hard to ensure that there are no gender barriers to recruitment or promotion. Our business in Poland has signed the Diversity Charter in collaboration with the Responsible Business Forum and The Mexican National Institute of Women certified Provident Mexico for its 'Gender Equity Model', which implements best diversity practices and promotes gender equality in the workplace.

Gender split 2013	Female	Male
Board members	1	6
Senior managers	70	180
All other employees*	6,230	4,203

* Includes agents in Hungary

Human rights and ethics

We participate in the UN Global Compact (UNGC), a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally-accepted principles in the areas of human rights, labour, the environment and anti-corruption. Our values and sustainability principles reflect the UNGC and are derived from The Universal Declaration on Human Rights, The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and The United Nations Convention Against Corruption.

We aim to strengthen our ethical standards so all employees and agents have a clear understanding of how we should behave as an organisation and as individuals. In 2013, we piloted an ethical standards e-learning and testing programme and it is being rolled out in all our markets during 2014.

See page 50 – Boardroom diversity

Working in partnership...

"I'm responsible for our corporate responsibility programme and am proud that we have been recognised as one of the most generous community partners in the Czech Republic."

Barbora Pletichová
CSR Specialist
Czech Republic

...WITH OUR COMMUNITIES

"People who have completed the financial education course, which is generously supported by Provident, often say they have a better understanding of how to manage their finances and that they feel more in control."

Zuzana Kortusová
Project Manager of Financial Education
Czech Republic

The sustainability of our business is linked directly to the communities in which our customers and agents live and work. Our community activities focus on providing genuine, local support for things that matter to our customers. We select partners who share our values and with whom we can provide long-term benefits for our communities.

The total value of our community investment contribution across the Group reduced to £0.8 million in 2013. However, the number of volunteering hours donated by 5,900 of our employees and agents to a variety of community activities increased by 19% to 21,500 hours. We also undertook a major programme of customer research which highlighted that our support of financial education is appreciated. This research will guide our future sustainability programmes, which will be aimed at supporting families and young people.

In 2013, our carbon emissions increased by 14.6% because of our decision to include Hungarian agents in our calculations for the first time. These particular agents are employees and the key impact relates to car travel emissions generated when visiting customers. Each market has a Sustainability Steering Committee to ensure we are integrating sustainability across all functions and engaging our senior teams in environmental programs. We aim to minimise our carbon footprint through a range of initiatives including annual audits against the ISO 14001 Environmental Management Standard and recycling. In 2013 we introduced video conferencing, smart printing and tablet technology for Development Managers in Poland and Hungary which have improved efficiency and helped reduce business flight and rail travel by 10% and 27% respectively.

See page 59 – Carbon reporting

Barbora Pletichová
CSR Specialist
Czech Republic

Zuzana Kortusová
Project Manager of
Financial Education
Czech Republic

Justin Lockwood
Group Head of Finance
UK

David Broadbent
Chief Commercial Officer
UK

Working in partnership...

"Regular dialogue with our investors to communicate a clear picture of our performance and prospects is really important for a dynamic business like ours."

Justin Lockwood
Group Head of Finance
UK

...WITH OUR INVESTORS

"We're very focused on building on our track record of profitable growth through expanding our footprint, introducing new products and channels for our customers, and continuously improving our core business operations."

David Broadbent
Chief Commercial Officer
UK

IPF represents a robust investment proposition. We have a strong track record of profit growth and generate healthy margins and returns. Our business model is long-established, resilient and cash generative. Its strength comes from the personal relationships our agents have with their customers which give us valuable insight into their credit needs. This face-to-face contact is supported by effective risk management systems and high standards of corporate governance to ensure compliance with our risk appetite and regulatory requirements.

We communicate regularly with our investor community to help them understand how we serve our customers, explain our ongoing performance and underline the significant profitable growth prospects we see for our business.

Our strategy to accelerate growth and increase shareholder value is embedded in the business. We are expanding our operations, making efficiency improvements and introducing new products to deliver faster growth and profitability. Our engaged workforce and management teams have good experience of home credit combined with wider financial services expertise.

We have a strong financial profile with high equity support for receivables, low gearing and prudent provisioning. We are committed to improving capital efficiency, which is demonstrated by the increase in our dividend to shareholders and the £60 million share buyback programme completed in 2013. We also made good progress in delivering our debt funding strategy.

We are focused on serving our customers well and growing a business which consistently delivers returns to our existing and prospective investors.

See page 33 – Financial review

Understanding our changing markets

Macroeconomic environment

The global economy has strengthened gradually since the 2008 and 2009 financial crisis and GDP growth in our markets was in positive territory during 2013, with the exception of the Czech Republic. Looking ahead, prospects for economic activity in 2014 are more optimistic still, with significantly higher GDP growth predicted in all our markets with forecasts expected in the range of 1.5% and 3.5% in Europe, and the higher rate of 3.8% in Mexico.

Overall, consumer confidence improved in our European markets in 2013. In Mexico, consumer confidence reduced but is still at a higher level than in Europe.

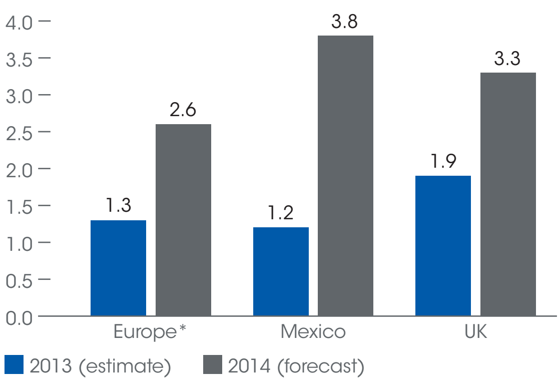
Competitive environment

As a consequence of the buoyant economies in which we operate and strong demand for credit from consumers, we continue to see competition intensifying in most of our European markets, particularly from the payday lending sector in Poland, the Czech Republic, Slovakia and Lithuania. Whilst we do not compete head-to-head with these providers, they have impacted our share of voice on TV.

Our business model is different from payday lending in a number of ways:

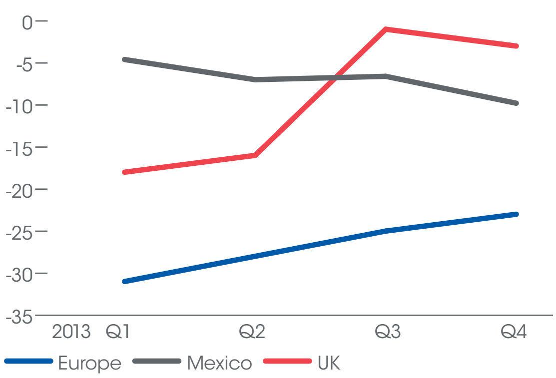
- we do not charge default fees on our home service – if we make a poor credit decision we pay the price, not our customer;
- we do not roll over loans – we are happy to offer further credit to good customers with a proven track record of repayment. We do not offer credit to customers who need the money to pay off a loan from us;
- our business is defined on forbearance – if a customer misses a payment we will work with them to reschedule their loan and, as a result, default or penalty fees are not a revenue stream within our home service business model;

GDP growth (%)



Source: Citigroup
*Our European markets weighted by population

Consumer confidence



Sources: European Commission and Statistical Agency of Mexico

We maintain constructive relationships with regulators and opinion formers

- we do not employ continuous payment authority – our home service loan repayments are collected by one of our agents at pre-arranged times that are convenient for our customers; and
- all our agents are paid principally on what they collect not what they sell so there is an inbuilt responsible lending structure in our business model.

There are home credit lenders in most of our European markets. During 2013, we saw growing competitive pressure in the Czech Republic, with intensified media activity from bank and non-bank lenders together with other home credit operators.

The competitive environment in Mexico's micro-finance sector is largely unchanged.

As part of our Strategy for Growth we intend to develop our product offer and include more digital channels, not only to improve customer engagement but to ensure our products remain in demand as the competitive landscape evolves.

Regulatory environment

The level of regulatory debate on rate caps and other consumer protection initiatives across Europe has continued to increase during the past year. This is a reaction, in part, to the perceived excesses of the financial services industry that were identified in the recent global financial crisis and follows increased regulation of the banking sector. As a result all financial companies, including consumer lenders, face increased legislation and challenges from consumer protection authorities. More recently the attention of the media, politicians and regulators has also shifted to the non-bank consumer credit sector, driven by a combination of market specific matters, such as the shadow banking issue in Poland, and the rise in payday lending.

As a result, draft proposals have been published in Poland to supplement the existing interest rate cap with a further cap on mandatory non-interest charges for credit and a cap on default charges. In the Czech Republic, an opposition party has passed into committee a proposal for a rate cap based on a multiplier of the Lombard rate. In Slovakia, parliamentary debate is underway regarding the re-introduction of a rate cap and the possibility of prohibiting loans being delivered in cash. We expect both the Czech and Slovak proposals to go through substantial revision before returning to parliament for further debate.

On 24 December 2013 we announced that our Polish business had received a notice from UOKiK, the Polish Office of Consumer Protection and Competition, stating that the way it calculates APR amounts to a collective infringement of consumer interests and subjecting it to a fine of PLN 12.4 million (approximately £2.4 million). UOKiK believes that the fee for our optional home service and an associated preparatory fee should be included in the total cost of credit and, therefore, the APR figure. We disagree with UOKiK's decision and have legal opinion supporting our view that the way we calculate our fees is correct. We have submitted our appeal and the decision is now expected to go through the court appeal process. There are three possible levels to the appeal process and were we to lose all three, then under current legislation, we would be required to update our loan documentation and marketing to include the relevant fees in the total cost of credit and APR calculations. UOKiK is also reviewing the practices of a number of non-bank consumer credit providers, in respect of the calculation of fees for loan products. Our charging methodologies are in line with industry standards but, as part of this review, we are exploring alternatives in respect of certain elements of the product structure with UOKiK.

We have experienced teams in each market working proactively with the relevant parties. We also have a track record of evolving our products and services to both meet new regulatory requirements, as well as remaining transparent and valued by our customers. As a result, we do not expect any of these matters to have a significant impact on business performance or our growth prospects.

"We remain confident that our Strategy for Growth will continue to deliver for our stakeholders in 2014 and beyond."

Gerard Ryan
Chief Executive Officer

As you enter any of our head offices, be it Warsaw, Budapest or Leeds, you will be greeted by the same statement of intent emblazoned on our walls: "To make a difference in everyday life by offering simple and personalised financial products". It is a statement that we take very seriously and one that we work to fulfil every day as we interact with our customers. The loans we provide make a real difference to how our customers succeed in juggling the demands of everyday life and we know that they appreciate our values of being Responsible, Respectful and Straightforward. By being true to our values and treating our customers as we would wish to be treated, we are building a sustainable and successful business that meets their needs effectively and provides a good return to our shareholders. A CEO's report normally ends by thanking employees for their contribution, but as our success is genuinely built on the dedication of our employees and agents, I wish to say, up front, to all of my colleagues, "Thank you for your resourcefulness and energy, your passion and commitment and for never forgetting that by living by our company values, we are building a truly global and sustainable business."

2013 – a year of growth

2013 was a very successful year for our business now that our strategy is embedded. As the year progressed, we accelerated our top line customer and credit issued growth, culminating in year-on-year increases of 7% and 15% respectively. This growth was achieved through smarter use of customer analytics, combined with the broadening of our product offering and the expansion of our agent network, in each of our markets. We also expanded our geographical footprint. The launch of two new markets, Bulgaria and Lithuania, demonstrated our ability to leverage existing resources to open new markets quickly and effectively, whilst the opening of our first branch in Mexico City, a conurbation of some twenty million people, proved a timely reminder of the scale of the opportunity that still awaits us in that market. In order to accelerate growth, we methodically expanded our credit risk appetite in Mexico, the Czech Republic and Hungary in particular. This was undertaken selectively within our credit risk management framework. This expansion meets a basic customer appetite for greater access to credit and, at the same time, delivers profitable returns, the latter being most encapsulated by our impairment to revenue ratio which improved by 0.4 percentage points to 26.6%. We now use credit bureaux in Hungary, Mexico and Lithuania, and it will be rolled out in our remaining countries in 2014. We are also seeing a very positive response to our strategic move to reward our most loyal customers with preferential pricing and we will consider this as we think about our product evolution for the coming years.

One of the four key pillars of our strategy is Effective Execution and we have commenced a strategic change programme, Transformation for Growth, to change the way our business operates from the inside out. We recognise we should make greater use of integrated technology. In order to remain a preferred choice for our customers, we need to enable our agents and field staff with technology whilst offering customers more digital solutions and means of interacting with us. This will help improve customer engagement and support the trend we saw in 2013 when our cost-income ratio improved to 39.5%.

We made progress in diversifying our sources of funding. In April 2013 we launched our first retail bond in the UK, an issue that was handsomely over-subscribed. We issued £70 million of bonds at 6.125%, a significant reduction on our previous cost of funds. We followed this up in October with a 'top-up' that took the total bonds in issue to £100 million. We also issued competitively priced local currency bonds in Czech, Romanian and Hungarian currencies and we now have local currency bond funding in all of our established European markets. As part of our commitment to shareholders to make the balance sheet work harder, we also completed our second share buyback programme, purchasing and cancelling £60 million of shares. This brings our equity to receivables ratio in line with our new 50% target.

Our Strategy for Growth

EXPANDING OUR FOOTPRINT

We intend to grow in our existing markets and new countries, organically or through bolt-on acquisitions.

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IMPROVING CUSTOMER ENGAGEMENT

We will provide new products and more digital channels.

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DEVELOPING A SALES CULTURE

We will use marketing skills to gain a better understanding of our customers.

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EFFECTIVE EXECUTION

We will invest in technology to execute our strategy more efficiently.

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Regulation and competition

Whenever I am asked what keeps me awake at night, I always give the same answer: regulation and competition. Regulation because, irrespective of how good our relationships are with local regulators, it is never possible to know with absolute certainty what new challenges may be posed; and competition because no matter how successful and resilient our business model is, we must always be alive to the threat that competition can bring.

In the last week of December, we announced that we had been fined by UOKiK, the consumer protection agency in Poland, for what it deemed to be practices not in the best interest of consumers. Specifically, they challenged the fact that we exclude our optional home service fees from what is termed the total cost of credit. In our view their assessment is incorrect and we have appealed the decision. As I mentioned at the very start of my report, our business values are integral to how we do business and we believe our documentation and processes are fully aligned with this.

As regards competition, we now see increasing levels of activity in our European markets, particularly in the payday lending sector. Whilst these businesses do not compete with us directly, their impact in terms of future regulation should not be underestimated and we are focusing our efforts on demonstrating to local regulators that our business model is different from the payday lending model that has come in for so much criticism in the past year. Notwithstanding this, we are monitoring the activities of all providers of finance in our markets to see what we can learn from them in order to improve our own service to our customers. The market overview section of this report provides detail on the competitive and regulatory environment.

Our communities and environment

We recognise the importance of the role we play in the lives of our customers and through them the impact on the broader communities we serve. Each of our businesses is engaged in supporting their local communities and details of these activities can be found on our website. We also acknowledge the impact that a business of our size can have on the environment and the impact of our efforts to minimise any potential negative effects can also be reviewed on page 59.

Looking ahead

Our business is simple: we seek to provide our customers with products that are easy to understand, affordable and suitable for their needs and that meet our criteria for shareholder returns. So long as we keep our customers as our key focus and operate by our values, our business will continue to grow and prosper. The past year was very successful and although we foresee an increase in regulatory challenge and competitive activity, we remain confident that our Strategy for Growth will continue to deliver for our stakeholders in 2014 and beyond.

Gerard Ryan
Chief Executive Officer

EXPANDING OUR FOOTPRINT

We intend to grow in our existing markets and new countries, organically or through bolt-on acquisitions

Progress in 2013

We made significant progress against this pillar of our strategy. We opened four new branches in Mexico including our first entry into Mexico City. We also continued our expansion in Romania to increase our reach to potential new customers.

Our local teams in Poland and Romania led the launch of our two new markets – Lithuania and Bulgaria – and these operations are progressing as planned.

Our growth initiatives together with geographic expansion delivered 7% growth in customers and we increased our agent workforce by 5% to around 30,000.

Future targets

We will continue our expansion in Mexico and Romania. In the long term we expect a customer base of around three million in Mexico and 500,000 in Romania.

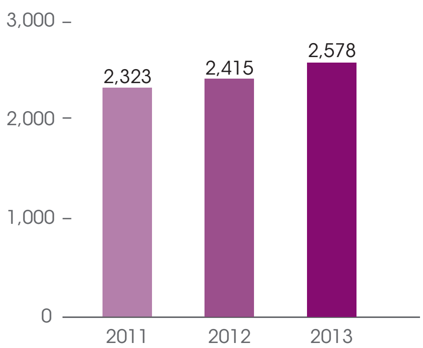
We plan to expand our operations rapidly in Lithuania and Bulgaria to achieve full geographic coverage in 2014 and, at maturity, we are targeting 80,000 customers in Lithuania and 100,000 customers in Bulgaria.

Bolt-on acquisitions remain a key part of our strategy and we will review potential opportunities that, for example, would complement our existing product offering or provide a new technical platform capability.

KPIs

Customers ('000)

2,578 +7%

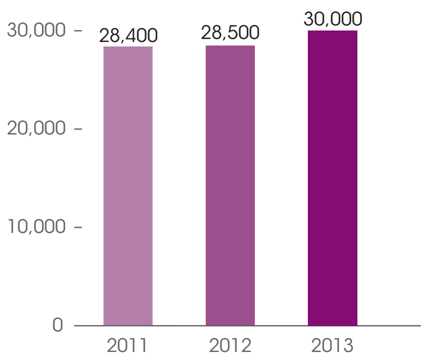


Definition
The total number of customers across the Group.

Rationale
Customer numbers demonstrate our scale and reach in our individual markets. Growth of our customer base is critically important. However, we will reject potential new customers and not seek to retain customers who contravene our credit policies or have a poor repayment record.

Agents

30,000



Definition
The total number of agents across the Group.

Rationale
The number of agents determines how many customers we can serve. We motivate and guide agents to develop their customer portfolios and retain quality customers.

Expansion in Mexico, Romania, Lithuania and Bulgaria helped us grow customer numbers by 7%.

IMPROVING CUSTOMER ENGAGEMENT

We will provide new products and more digital channels

Progress in 2013

Expanding our product offering, together with our focus on providing a quality service, has helped to further improve customer retention and achieve a consistent customer service score which falls within the high performance range for the financial services sector.

We now offer longer-term, higher value loans in Poland, the Czech Republic and Slovakia, and a pilot is underway in Romania. We have seen strong demand and credit quality is good. Rewarding loyal customers through preferential pricing has also been positive. Our discounted loans were rolled out in Slovakia, Poland, Hungary and the Czech Republic, and tests commenced in Mexico and Romania.

We conducted a home insurance product test in Hungary and, in Mexico, we launched a pilot offering life and medical assistance insurance to our customers for the duration of their loan.

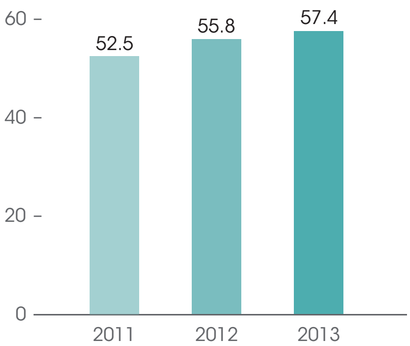
Future targets

We launched longer-term loans in Hungary in February 2014 and will undertake loan tests in Mexico in 2014. We plan to roll out preferential pricing in Mexico and Romania in the second half of the year. In Hungary, we are working with our home insurance partner to introduce improved product pricing, more levels of cover and more effective sales processes in our field workforce. As part of our expansion into Mexico City we are testing the delivery of loans on a pre-paid card.

KPIs

Customer retention (%)

57.4%

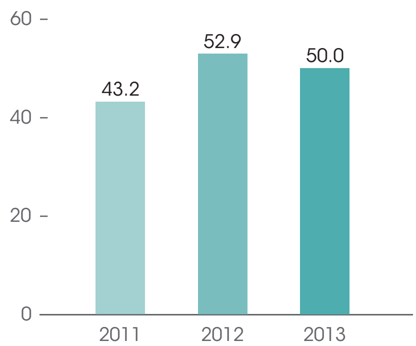


Definition
The proportion of customers that are being retained to their third or subsequent loan.

Rationale
Our ability to retain customers is central to achieving our financial targets and growth ambitions and is a key 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.

Customer service score (%)

50.0%



Definition
The score is a net promoter score and is based on those customers who make a clear statement that they would recommend our service to a colleague or friend.

Rationale
Excellent customer service drives improved and sustained revenue growth through existing customers and through them becoming advocates of our brand and product. It is also a key measure of our delivery of treating customers fairly.

Longer-term loans and preferential pricing for loyal customers were well received and have helped improve customer retention.

DEVELOPING A SALES CULTURE

We will use marketing skills to gain a better understanding of our customers

Progress in 2013

Our third engagement survey reported a significant improvement across all levels of the business and is reflected in increased employee and agent retention.

A major development has been the re-engineering of the role of Development Managers who manage our agency force. Under the branding of ProXXI, the removal of unnecessary activities and the provision of tablet technology has enabled these managers to devote more time to growing their business, supported by reward and recognition systems linked closely to sustainable profitable growth. This, in turn, will support credit issued and revenue growth. In 2013, around 1,000 Development Managers benefited from these changes, which were rolled out in Hungary and will be completed in Poland in April 2014.

Future targets

We will continue the development of our ProXXI initiatives across the business, making changes to support growth during 2014 and into 2015.

KPIs

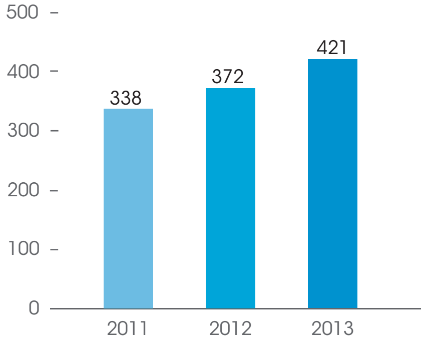
Employee and agent retention (%)

Definition
The proportion of employees and agents who have been working with us for more than 12 months.

Rationale
Experienced people help us achieve and sustain strong customer relationships and a high quality of service, which are central to achieving good customer retention. Good retention also helps reduce costs of recruitment and training, enabling more investment to be directed to people development.

Credit issued per customer (£)

£421

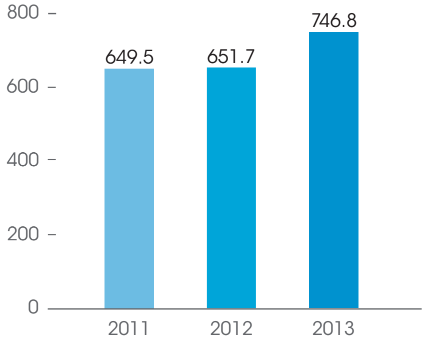


Definition
The value of money loaned to customers measured over the previous 12 months.

Rationale
This is a key driver of profit per customer. Credit issued per customer should increase over time and is driven partly by good repayment behaviour. We adopt a 'low and grow' strategy and only issue more credit to a customer once their credit-worthiness is proven.

Revenue (£M)

£746.8M



Definition
Revenue is income generated from customer receivables.

Rationale
Most of our business costs are relatively fixed and as revenues increase in line with customer numbers and receivables, developing markets move into profitability, and profits and margins grow rapidly.

EFFECTIVE EXECUTION

We will invest in technology to execute our strategy more efficiently

Progress in 2013

Despite our focus on growth, credit exceptions and impairment were stable and we delivered a reduction in the cost-income ratio.

We tested the value of credit bureaux data across all our markets and it is now in use in Hungary, Mexico and Lithuania. Tests began in Poland and Romania.

We also tested the impact of increasing credit limits on a centrally approved basis for our best and most experienced agents. This showed that their experience enabled us to increase loan sizes for good quality customers by approximately 5% to 10% while maintaining or reducing impairment. We introduced segmented credit rules to our best agents in Poland and Hungary towards the end of 2013 and will introduce them in other markets in 2014.

We established our 'Transformation for Growth' programme and engaged a major IT partner to help us deliver a more technology-enabled approach to serving our customers.

We introduced a secondary listing of IPF shares on the Warsaw Stock Exchange and undertook a £60 million share buyback programme. We also sold impaired receivables originating from loans issued in Poland, generating a £15.9 million exceptional profit.

Future targets

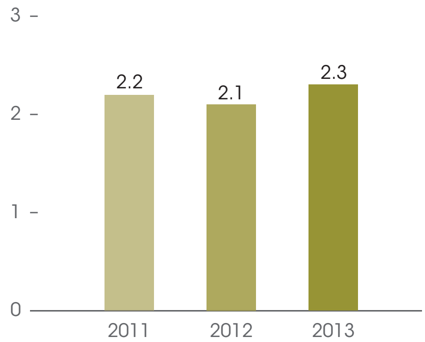
We will undertake credit bureaux tests in the Czech Republic, Slovakia and Bulgaria during 2014.

We are also committed to making our balance sheet work harder to enhance shareholder returns and the Board will continue to keep the equity to receivables ratio under review.

KPIs

Credit exceptions (%)

2.3%

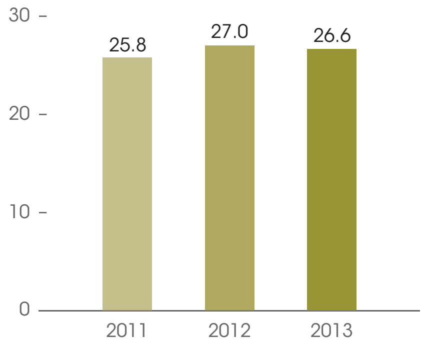


Definition
Credit exceptions are recorded in those cases where lending has exceeded one or more credit parameters defined in the Group credit rules.

Rationale
Our credit policies set out our basis for responsible lending. They also set limits for lending activity which reflect our credit risk appetite.

Impairment (%)

26.6%

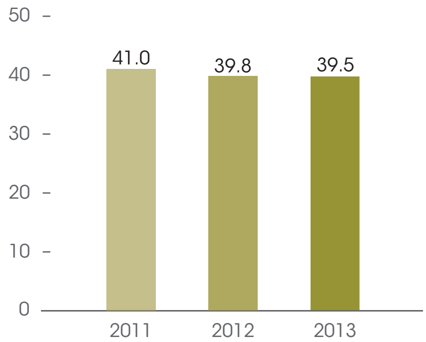


Definition
The amount charged as a cost to the income statement as a result of customers defaulting on contractual loan payments stated as a percentage of revenue. A default is classified as the failure to make any weekly payment in full, with the exception of the first four weeks for a new customer in order to allow repayment patterns to be established.

Rationale
Profitability is maximised by optimising the balance between growth and credit quality. This is a good measure for comparing performance across markets and we aim to maintain this ratio between 25% and 30%.

Cost-income (%)

39.5%



Definition
Direct expenses of running the business, excluding agents' commission and FX as a percentage of revenue.

Rationale
The cost-income ratio is useful for comparing performance across markets. The lower the ratio, the more efficient we are. Our medium-term aim is to reduce the cost-income ratio to around 35%.

Good growth and strong trading performance

Operational performance

Our strategy continues to generate good growth in all our markets, building on the positive momentum achieved in 2012. The Group delivered a record full year profit of £118.1 million before tax and exceptional items, an increase of 24%. The key drivers of this strong performance were accelerating customer growth to 7% (2012: 4%) and credit issued growth to 15% (2012: 13%) which, in turn, led to revenue growth of 11% (2012: 9%). At the same time, our robust credit controls and strong operational management resulted in stable credit quality and a modest improvement in impairment as a percentage of revenue to 26.6%. The Group results are set out in the table on the following page.

At the half year we highlighted that customer growth was below our expectation and that we were taking action to address this through expanding our agency force and further incentivising managers and agents to deliver growth. We worked hard to achieve these plans through the second half of the year and are pleased to report agency growth of 5% to around 30,000 and customer growth of 7% to 2.6 million, a significant acceleration compared to the 3% customer growth reported at the half year.

The 7% increase in customer numbers, together with a 9% increase in the amount of credit issued per customer, resulted in credit issued growth of 15%. This was partly due to our strategies of rolling out longer-term higher value loans to our better quality customers and selective credit easing. More than £1 billion of credit was also granted for the first time. However, the average period to maturity of outstanding receivables remains short at 5.8 months (2012: 5.4 months).

This growth also resulted in a 17% increase in average net receivables to £710.0 million. Revenue grew by 11% in 2013 (2012: 9%) and the rate of growth increased through the year as follows:

	Q1	Q2	Q3	Q4	Full year
Revenue growth	8%	10%	11%	13%	11%

This acceleration reflects a combination of the growth in the receivables book and a reducing year-on-year impact of early settlement rebates ('ESR') in Poland. At £8.4 million, the total impact of ESRs in 2013 was slightly lower than our guidance and is now embedded fully in the Group's income statement.

Our credit management systems are well tested and we have been successful in refining our credit rules to deliver faster growth while maintaining robust collections. Consequently, impairment as a percentage of revenue reduced to 26.6% (2012: 27.0%) and remains firmly in our target range. As a result of revenue growth and good credit quality, net revenue increased by 11%.

Finance costs increased by 13%, which is 11 percentage points less than the 24% increase in average borrowings. This reduction in average interest cost was driven by a combination of the lower margin on bonds issued in 2013 together with a reduction in local interest rates in our markets. Agents' commission costs, which are based largely on collections in order to promote responsible lending, increased by 11% to £86.1 million in line with growth of the business.

We continued to manage costs tightly and our cost-income ratio improved by 0.3 percentage points to 39.5% after absorbing £4.4 million of start-up costs in Lithuania and Bulgaria. The cost-income ratio adjusted for new market investment improved to 38.9%, a reduction of 0.9 percentage points on 2012. This improvement was also achieved after investing an additional £8.4 million in growth opportunities, which included marketing expenditure and field management incentivisation.

We delivered a record full year profit

The Group results are set out below:

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	**2,578**	2,415	163	6.7	6.7
Credit issued	**1,050.8**	882.1	168.7	19.1	15.1
Average net receivables	**710.0**	588.3	121.7	20.7	16.5
Revenue (net of ESRs)	**746.8**	651.7	95.1	14.6	10.6
Impairment	**(198.6)**	(176.2)	(22.4)	(12.7)	(8.7)
	548.2	475.5	72.7	15.3	11.3
Finance costs	**(49.0)**	(41.6)	(7.4)	(17.8)	(12.9)
Agents' commission	**(86.1)**	(74.9)	(11.2)	(15.0)	(11.2)
Other costs	**(295.0)**	(263.9)	(31.1)	(11.8)	(10.2)
Profit before taxation and exceptional items	**118.1**	95.1	23.0	24.2	
Exceptional items	**12.4**	(4.8)	17.2		
Statutory profit before taxation	**130.5**	90.3	40.2		

Exceptional items

The income statement includes an exceptional gain of £12.4 million. This comprises a profit on the sale of impaired receivables originating from loans issued in Poland of £15.9 million and a write down of IT assets of £3.5 million. The impairment of IT assets arose from a review of the future technology platforms that we need to support our growth strategy, which identified assets that are no longer compatible with this vision.

Segmental results

To provide a better understanding of underlying performance, the table below shows the performance of each of our markets highlighting the impact of the higher ESRs, investment in new markets and stronger FX rates used to translate our local currency profits into sterling. All markets delivered underlying profit growth during the year, and growth at Group level was very strong increasing 28% to £27.1 million, driven by strong credit issued growth, stable credit quality and good cost control.

	2013 reported profit £M	Underlying profit movement £M	Additional ESR costs £M	New market costs £M	Stronger FX rates £M	2012 reported profit £M
Poland-Lithuania	**62.3**	11.8	(8.4)	(1.9)	5.9	54.9
Czech-Slovakia	**32.5**	5.0	–	–	0.4	27.1
Hungary	**19.4**	5.5	–	–	1.4	12.5
Romania-Bulgaria	**3.1**	0.9	–	(2.5)	0.2	4.5
Mexico	**14.5**	4.5	–	–	0.8	9.2
UK costs	**(13.7)**	(0.6)	–	–	–	(13.1)
Profit before taxation*	**118.1**	27.1	(8.4)	(4.4)	8.7	95.1

* Before exceptional items

Outlook

Our strategy is delivering growth and we reported a record profit in 2013. The macroeconomic backdrop in our markets is positive and forecast to be supportive of our growth plans in 2014. While the level of regulatory debate and competition is increasing, we have a strong track record of adapting our business model to meet new requirements and continue to serve our customers with products that they value. Through our Strategy for Growth we are on track to expand the business, strengthen customer relationships and develop our product range, and we are confident of making further good progress in 2014.

"We delivered an excellent trading performance and launched our business in Lithuania."

David Parkinson
Country Manager

POLAND AND LITHUANIA

Our largest market, Poland, had another excellent year with the country team delivering a strong set of results and the launch of our business in Lithuania – the first of two new markets opened in 2013. Adjacent to our Polish market, we are now serving around 1,800 customers in Lithuania from two branches in the key cities of Vilnius and Kaunas supported by teams located in four smaller offices.

Poland also spearheaded our global change agenda with its ProXXI programme which aims to introduce more efficient ways of working to improve the way we serve customers and deliver growth. Our managers at the front-end of the business have taken a lead role in developing initiatives to support our change objectives including the removal of non-value adding tasks, performance management, new incentive schemes, agent credit segmentation and the introduction of tablet technology for Development Managers.

From a trading perspective, Poland delivered good growth in credit issued and receivables together with well controlled costs resulting in a 13% increase in profit before tax of £62.3 million. These factors resulted in an £11.8 million increase in underlying profit and a £5.9 million benefit from stronger FX rates, partially offset by £8.4 million of higher ESR costs and a £1.9 million investment in Lithuania.

Competition in Poland intensified in 2013 with an increased presence of payday lenders which reduced our share of voice in the media despite an increase in advertising investment. Our product offering is different from these lenders and, while their emergence has influenced regulatory debate, we estimate their impact on customer growth in 2013 was marginal.

Against this backdrop, we were pleased to deliver credit issued growth of 12%. This was driven by a combination of 2% customer growth and the introduction of new products, in particular longer-term loans which were offered to our better quality customers and represented 15% of credit issued in 2013.

Average net receivables increased by 15% reflecting the strong growth in credit issued. As expected, revenue grew at the slower rate of 6% due to the £8.4 million impact of higher ESRs and lower revenue yields on our longer-term product. Revenue growth rates increased from 1% in Q1 to 10% in Q4 as the year-on-year impact of ESRs slowed throughout the year.

Managing and refining our credit systems has helped deliver growth while maintaining stable credit quality. As a result we were successful in improving the impairment to revenue ratio by 1.1 percentage points to 28.5%.

Expansion into new markets is a key strand of our growth strategy. We expect significant customer and credit issued growth in Lithuania in 2014 by achieving full geographic coverage by the end of the year, increasing our agent network from 70 to approximately 300 agents and building higher awareness of our offer through continued marketing investment and TV advertising. Including our investment in the launch of this new market, the cost-income ratio for Poland and Lithuania increased to 33.4%. The cost-income ratio for the Polish business increased slightly to 32.8% as a result of the dilutive impact that higher ESRs had on revenue growth together with an additional £2.5 million in growth-related expenditure. In 2014, we expect the investment in start-up losses in Lithuania to be around £4 million to £5 million.

We plan to deliver further growth in Poland and Lithuania in 2014. We will achieve this by completing the roll out of ProXXI in Poland, investing more in marketing and incentives and completing market coverage in Lithuania.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	**841**	821	20	2.4	2.4
Credit issued	**380.4**	326.6	53.8	16.5	11.9
Average net receivables	**282.6**	235.7	46.9	19.9	15.0
Revenue	**295.7**	268.8	26.9	10.0	5.6
Impairment	**(84.3)**	(79.5)	(4.8)	(6.0)	(1.6)
	211.4	189.3	22.1	11.7	7.3
Finance costs	**(20.2)**	(17.4)	(2.8)	(16.1)	(11.0)
Agents' commission	**(30.0)**	(27.1)	(2.9)	(10.7)	(6.4)
Other costs	**(98.9)**	(89.9)	(9.0)	(10.0)	(10.1)
Profit before taxation	**62.3**	54.9	7.4	13.5	
Poland	**64.2**	54.9	9.3	16.9	
Lithuania	**(1.9)**	–	(1.9)	–	
Profit before taxation	**62.3**	54.9	7.4	13.5	

“Offering new products to our customers contributed to stronger credit issued growth and a 20% increase in profit.”

Russell Johnsen
Country Manager

CZECH REPUBLIC AND SLOVAKIA

Our management team’s focus on growth in 2013 delivered good growth in credit issued and a strong 20% increase in reported profit to £32.5 million. This is particularly pleasing following a challenging year in 2012.

Market conditions in Slovakia are generally positive and more supportive of delivering growth. In the Czech Republic, however, we faced growing competitive pressure primarily from other home credit operators but also from banks and non-bank lenders which utilised higher profile advertising to attract customers. Economic activity in this market also contracted.

Greater competition resulted in a reduction in customer numbers in the first half and this was wholly attributable to the Czech Republic. We worked hard to return to growth and concentrated our efforts on growing customer numbers through improving agent productivity, expanding our product range and aligning incentive schemes to growth objectives. As a result, we added 5,000 customers and closed the year only 0.5% down on 2012, reversing the 3% contraction reported at the half year. These actions also helped deliver a 9% increase in both credit issued and average net receivables and good revenue growth of 5%.

We continued with the roll out of longer-term higher value products, discounted loans for loyal customers and selective credit easing. Longer-term products were offered to our higher quality customers and contributed to 19% of lending in 2013. In Q4, our discounted offer was available to around 18% of our customers and made up 19% of credit issued in the year.

We aim to test credit bureaux in both markets in 2014 to support our objective to accelerate growth. Impairment as a percentage of revenue reduced by 1.9 percentage points to 23.7%, falling outside our target range of 25% to 30%, and so indicating that there is scope to capture further sales opportunities and grow the business faster, particularly in Slovakia.

Other costs were well-controlled and resulted in the cost-income ratio reducing by 0.4 percentage points to 36.1%.

We are looking to maintain the rate of credit issued growth and increase customer numbers and revenue growth in 2014. We will refine our credit management rules to enable growth and expect the impairment to revenue ratio to rise into our target range as a result.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	**381**	383	(2)	(0.5)	(0.5)
Credit issued	**230.2**	206.6	23.6	11.4	9.3
Average net receivables	**161.7**	145.3	16.4	11.3	8.9
Revenue	**142.8**	133.4	9.4	7.0	4.8
Impairment	**(33.8)**	(34.2)	0.4	1.2	2.9
	109.0	99.2	9.8	9.9	7.4
Finance costs	**(9.5)**	(8.8)	(0.7)	(8.0)	(4.4)
Agents’ commission	**(15.4)**	(14.8)	(0.6)	(4.1)	(2.0)
Other costs	**(51.6)**	(48.5)	(3.1)	(6.4)	(3.6)
Profit before taxation	**32.5**	27.1	5.4	19.9	

"We delivered very strong growth and our 'Superbrand' status demonstrates our excellent reputation."

Botond Szirmak
Country Manager

HUNGARY

Our Hungarian business goes from strength to strength. The highlights of the year were achieving more than 300,000 customers, a very strong trading performance and another major award win where our business in Hungary has been granted 'Superbrand' status demonstrating its excellent reputation in the consumer credit sector as well as being a provider of products that our customers value.

On trading performance, we delivered excellent growth in credit issued and profit together with a significant reduction in the cost-income ratio of nearly five percentage points. Underlying profit growth of £5.5 million coupled with a £1.4 million benefit from stronger FX rates resulted in a 55% increase in reported profit of £19.4 million.

Hungary has the most stable and engaged workforce within the Group and this has been the key driver behind the 15% increase in customer numbers to 307,000 in 2013. This customer growth, together with our strategy to ease credit settings, helped deliver a strong increase in credit issued of 19% and resulted in average net receivables and revenue growth of 25% and 22% respectively.

Hungary's customer portfolio continued to demonstrate excellent credit quality and our collections performance remains good. As planned, impairment as a percentage of revenue increased by 3.7 percentage points to 18.9%, reflecting our appetite for faster growth. It is, however, well below our target range of 25% to 30% and so we will continue to target opportunities for further profitable growth through credit easing.

Despite growing the business so strongly, we also controlled other costs very tightly and, as a result, the cost-income ratio improved by 4.9 percentage points to 37.4%, falling below 40% for the first full year.

In 2014 we have set our sights on growing customer numbers to 321,000 and increasing credit issued through the introduction of a longer-term, higher value product and continued easing of credit controls.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	**307**	268	39	14.6	14.6
Credit issued	**138.5**	114.2	24.3	21.3	19.3
Average net receivables	**97.3**	76.6	20.7	27.0	24.6
Revenue	**97.6**	78.2	19.4	24.8	22.5
Impairment	**(18.4)**	(11.9)	(6.5)	(54.6)	(52.1)
	79.2	66.3	12.9	19.5	17.2
Finance costs	**(7.5)**	(6.3)	(1.2)	(19.0)	(15.4)
Agents' commission	**(15.8)**	(13.4)	(2.4)	(17.9)	(16.2)
Other costs	**(36.5)**	(34.1)	(2.4)	(7.0)	(8.6)
Profit before taxation	**19.4**	12.5	6.9	55.2	

"We are firmly back in growth mode – we passed the 300,000 customer milestone and expanded into Bulgaria."

Ivo Kalik
Country Manager

ROMANIA AND BULGARIA

Our business in Romania delivered an improved performance in 2013 and is firmly back in growth mode, marked by it passing the 300,000 customer number milestone in Q4. The Romanian management team also expanded our geographical footprint in Q3 when trading in Bulgaria commenced – our second new market of the year. 2013 was a year of investment that will facilitate further growth in 2014 and, therefore, underlying profit growth was modest at £0.9 million. Reported profit for the year was £5.6 million before investing £2.5 million in the launch of Bulgaria.

Macroeconomic conditions in Romania stabilised in 2013 which gave us confidence to change our focus from collections to targeting faster growth during Q2. We also invested in expanding our geographical coverage by opening offices within our existing regional footprint which has allowed us to reach a broader base of new customers. These actions resulted in strong customer growth of 17% and we closed the year with 305,000 customers.

Credit issued grew by 16% and was driven largely by the strong growth in customer numbers and easing credit rules for existing customers. Our 78-week longer-term product, which we piloted in 2013, has been well received by customers and we plan to roll it out across the market in 2014. Average net receivables and revenue both grew by 11%.

At the same time as achieving strong growth, we delivered an improved collections performance and impairment as a percentage of revenue improved by 3.7 percentage points to 28.3%. This is well within our target range.

The investment in additional infrastructure to deliver growth, excluding Bulgaria, resulted in the cost-income ratio increasing by 2.3 percentage points to 46.0%. We expect the cost-income ratio to reduce significantly in 2014 as we leverage this year's investment to deliver further growth in customers and credit issued.

In Bulgaria, we are pleased with the development of our business where we have opened four branches and are serving around 2,400 customers. We plan to open a further six branches to achieve full geographic coverage in 2014 which, in turn, will enable us to commence mass marketing on TV and through other channels. As a result, we expect our investment in start-up losses to increase to between £4 million and £5 million in 2014.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	**305**	260	45	17.3	17.3
Credit issued	**104.8**	85.8	19.0	22.1	15.7
Average net receivables	**60.8**	52.0	8.8	16.9	10.7
Revenue	**66.8**	57.2	9.6	16.8	10.8
Impairment	**(18.9)**	(18.3)	(0.6)	(3.3)	1.6
	47.9	38.9	9.0	23.1	16.5
Finance costs	**(4.8)**	(4.1)	(0.7)	(17.1)	(9.1)
Agents' commission	**(6.8)**	(5.6)	(1.2)	(21.4)	(15.3)
Other costs	**(33.2)**	(24.7)	(8.5)	(34.4)	(27.2)
Profit before taxation	**3.1**	4.5	(1.4)	(31.1)	
Romania	**5.6**	4.5	1.1	24.4	
Bulgaria	**(2.5)**	–	(2.5)	–	
Profit before taxation	**3.1**	4.5	1.4	(31.1)	

"We are on track to deliver £33 profit per customer by 2015."

Robert Husband
Country Manager

MEXICO

Our Mexican business remains on track to deliver its objective of achieving £33 profit per customer by 2015 through increasing revenue per customer, maintaining impairment as a percentage of revenue in our target range of 25% to 30% and reducing the cost-income ratio to below 40%. During 2013, we have delivered well against this objective with continued strong growth driving an increase in profit per customer from £14 to £21 and a 58% increase in reported profit to £14.5 million.

We also expanded our geographic footprint with the opening of four new branches, including our first in Mexico City in December 2013. This new region has a population of more than 20 million and represents a significant source of future growth.

To achieve our profit per customer target, our primary objective is to increase revenue per customer, whilst maintaining a good rate of customer growth. We made good progress against these objectives with customer growth of 9%, supported by an increase in our branch infrastructure from 54 to 58 branches, and strong growth in revenue of 21%. As part of our expansion in Mexico we grew our agency force by 9% to 9,400 and, at the same time, reduced agent turnover by 7 percentage points to 46%.

The increase in revenue per customer was supported by the progressive introduction of new credit settings, which enabled the business to issue higher value loans over extended loan terms to better quality customers. These new credit settings are now in place in 42 branches across Mexico and contributed to very strong growth in credit issued of 27% and average net receivables of 31%. We plan to roll out these new settings to our remaining branches in 2014.

Impairment as a percentage of revenue increased slightly to 30.0%. We did, however, introduce credit bureau in our credit decision making process in Mexico during the second half of the year and, going forward, we believe that this will be an important tool in enabling us to further increase revenue per customer whilst maintaining the impairment ratio within our target range.

Agents' commission increased in line with revenue growth whilst other costs continued to be controlled tightly resulting in a significant 3.9 percentage point improvement in the cost-income ratio to 42.5%.

In 2014, we plan to open a further five branches, develop our operations in Mexico City and continue to make progress towards the objective of reaching £33 profit per customer by 2015.

	2013 £M	2012 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	**744**	683	61	8.9	8.9
Credit issued	**196.9**	148.9	48.0	32.2	26.5
Average net receivables	**107.6**	78.7	28.9	36.7	31.1
Revenue	**143.9**	114.1	29.8	26.1	21.1
Impairment	**(43.2)**	(32.3)	(10.9)	(33.7)	(28.6)
	100.7	81.8	18.9	23.1	18.2
Finance costs	**(7.0)**	(5.0)	(2.0)	(40.0)	(34.6)
Agents' commission	**(18.1)**	(14.0)	(4.1)	(29.3)	(24.0)
Other costs	**(61.1)**	(53.6)	(7.5)	(14.0)	(10.3)
Profit before taxation	**14.5**	9.2	5.3	57.6	

Good progress made against financial objectives

David Broadbent
Chief Commercial Officer

Adrian Gardner
Chief Financial Officer

During 2013 we have made good progress against our core financial objectives. We further diversified our sources and maturity of debt funding at a reduced cost, primarily through our inaugural issue of £100 million seven-year 6.125% UK retail bonds. We demonstrated our commitment to making the balance sheet work harder by resetting our capital ratio to 50% and completing a £60 million share buyback, and we increased the full year dividend by 20% to 9.3 pence per share. Key factors behind these successes have been the continued strong trading performance, which has delivered record profit of £118.1 million, and the cash and capital generative nature of the business model. During 2013 we generated operating cash flow of £84.2 million, earnings per share of 35.5 pence and a return on equity of 22.9%.

Key financial measures

	2013	2012
Returns		
Profit before tax (£M)[1]	**118.1**	95.1
Statutory profit before tax (£M)	**130.5**	90.3
Cash generated from operations (£M)	**84.2**	98.2
Adjusted earnings per share (pence)[2]	**35.5**	27.6
Dividends (pence)	**9.3**	7.7
Return on equity[2]	**22.9%**	20.1%
Balance sheet and funding		
Debt facilities (£M)	**575.8**	470.3
Headroom on debt funding (£M)	**175.3**	159.5
Interest cover	**3.4**	3.3
Gearing	**1.0**	0.8
Equity as a percentage of receivables	**50.2%**	57.8%

1 Before an exceptional gain of £12.4 million in 2013 and an exceptional charge of £4.8 million in 2012.
2 2013 presented before exceptional items, 2012 presented at an underlying 27% tax rate and before exceptional items in order to better present the underlying performance of the Group.

2013 results

We delivered a strong trading performance in 2013 with reported pre-tax profit increasing by £23.0 million (24%) to £118.1 million. Underlying profit increased by £27.1 million before a £4.4 million investment in new markets, an £8.7 million benefit from stronger FX rates was offset largely by an £8.4 million impact of higher ESRs. The effective average FX rates in our markets were stronger in 2013 than in 2012 with the largest single driver impacting profit being Poland, which reflects its contribution to Group profit together with the strengthening of the zloty to sterling exchange rate.

The exceptional item comprises a £15.9 million profit on the sale of impaired receivables originating from loans issued in Poland and a write down of IT assets of £3.5 million. The impairment of IT assets arose from a review of the future technology platforms that we need to support our growth strategy, which identified assets that are no longer compatible with this vision.

The taxation charge for the year on statutory pre-tax profit was £34.9 million (2012: £16.2 million) which equates to an effective rate of 26.7%. The underlying tax charge on pre-exceptional profit was £31.9 million which represents an effective tax rate of 27.0%. The effective tax rate is expected to remain broadly at this level in 2014.

Cash generated from operations

Our business model is cash and capital generative and the strong trading performance in 2013 generated operating cash flows of £84.2 million (2012: £98.2 million).

	2013 £M	2012 £M
Cash generated from operations before receivables growth	**227.3**	172.6
Receivables growth	**(143.1)**	(74.4)
Cash generated from operations	**84.2**	98.2

These operating cash flows funded a £143.1 million increase in net receivables (2012: £74.4 million) and left £84.2 million of internally generated funding to support capital investment, investor returns and taxation. This strong cash flow meant that borrowings increased by just £92.8 million to £400.5 million despite the growth in net receivables and the £60 million share buyback.

Returns

Our 2013 Group result reflects a combination of our more established markets in Europe and Mexico plus our new markets of Lithuania and Bulgaria. Our established markets have further opportunities for growth but have a relatively mature margin structure and profile of returns. In 2013 these markets generated a pre-tax profit margin of 18.2% and return on equity of 25.9%. As our new markets mature, we expect them to have a similar margin structure and generate similar returns. The profit margin for the Group as a whole in 2013 was 15.8% and our return on equity was 22.9%.

	EPS[1] (p)	Margin (%)	ROE[2] (%)
Established markets	40.9	18.2	25.9
Central costs	(4.1)	–	–
Lithuania and Bulgaria	(1.3)	–	–
Group	**35.5**	**15.8**	**22.9**

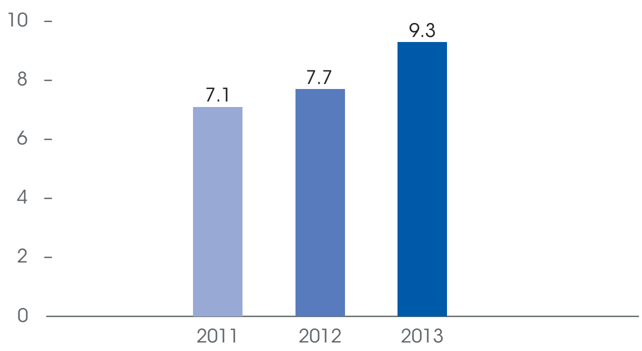
1 Before exceptional items of £12.4 million
2 For this purpose, equity has been calculated as 50.2% of receivables

Dividend

The Board is pleased to declare, subject to shareholder approval, a final dividend of 5.5 pence per share which will bring the full year dividend to 9.3 pence per share, an increase of 20% (2012: 7.7 pence per share).

Dividend per share (p)

9.3p +20%



The increased dividend reflects the strong underlying trading performance and the cash generative nature of the business model. The dividend will be paid on 9 May 2014 to shareholders on the register at the close of business on 11 April 2014. The shares will be marked ex-dividend on 9 April 2014.

Balance sheet and capital structure

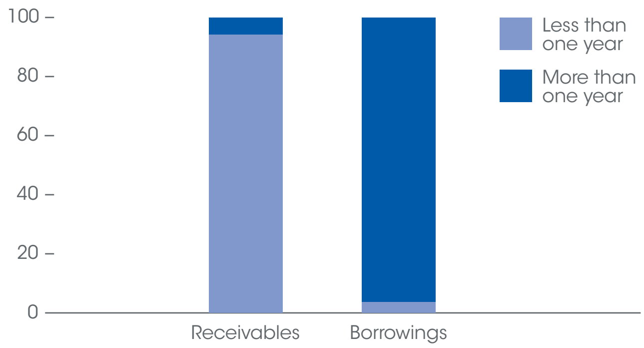
We have a well-funded balance sheet and strong cover ratios:

- we are well capitalised with equity representing 50.2% of receivables, the equivalent of a bank's Tier 1 ratio;
- gearing* has increased from 0.8 times to 1.0 times;
- we have a diversified debt funding structure, with a mix of bond and bank facilities and a balanced maturity profile; and
- we have good cover against all of our core funding covenants.

		2013	2012
Gearing*	Max 3.75	**1.0**	0.8
Interest cover	Min 2 times	**3.4**	3.3
Net worth*	Min £125 million	**392.0**	380.4
Receivables: borrowings	Min 1.1:1	**2.0**	2.1

*Adjusted for derivative financial instruments and pension liabilities according to covenant definitions.

A core attribute of our business model is that we borrow long and lend short which enables us to maintain financial flexibility.

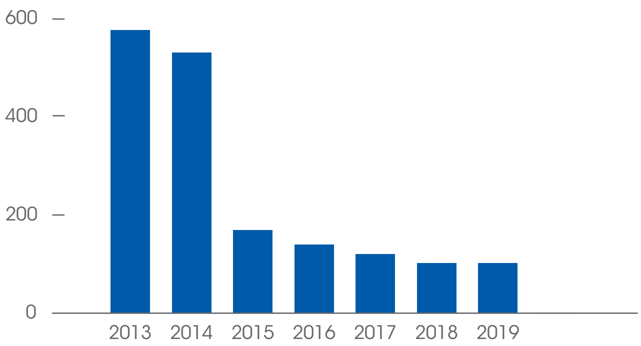


Debt funding

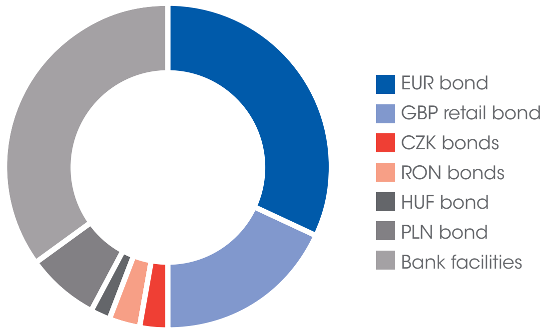
We aim to maintain a strong funding position via strategic funding objectives of diversifying our sources, extending the term and lowering the cost of our debt facilities. During the year, we made good progress against these objectives. We issued £132 million of bonds from a range of bond markets and extended £51 million of bank facilities whilst also extending the Group's debt maturity profile. The bonds were issued on a like-for-like basis at around 500 basis points lower than our existing 2010 eurobond.

Group borrowings at the end of 2013 were £400.5 million, which is £92.8 million higher than 2012 at constant exchange rates. This compares with total facilities of £575.8 million, giving headroom on facilities of £175.3 million. The maturity profile of facilities is summarised as follows:

Maturity profile of debt facilities (£M)



Total facilities £575.8M



	Less than one year £M	One to three years £M	Four to seven years £M	Total £M
Short-term bank facilities	20.0	–	–	20.0
Syndicated and bilateral term bank facilities	19.9	140.4	20.0	180.3
Bonds	5.5	249.7	120.3	375.5
	45.4	390.1	140.3	575.8
Borrowings				400.5
Headroom				175.3

Our syndicated and bilateral term facilities mature principally in 2015 (£125.8 million); the remaining term facilities (£54.5 million) mature in 2014, 2016 and 2017 (£19.9 million, £14.6 million and £20.0 million respectively). These facilities reflect a broad banking group that has a good strategic and geographical fit with our operations. Our syndicated and bilateral term facilities are provided by: Citibank, HSBC, VUB, BZWBK (Santander), ING, Alior, DZ Bank, OTP Bank, PBP Bank and RZB/Tatra.

We issued:

- £101.5 million seven-year sterling retail bonds at a fixed coupon of 6.125%;
- £11.2 million five-year Hungarian forint denominated bonds at a fixed coupon of 11.0%;
- £7.6 million five-year Czech crown bonds at a fixed coupon of 5.25%; and
- £11.3 million three-year Romanian lei bonds at a fixed coupon of 8.10%.

Around 70% of our debt facilities and almost all of drawn borrowings at the year-end were provided by our bonds. We have local currency denominated bonds in all our established European markets which reduces exposure to currency volatility.

Capital structure

During July 2013 the Board reviewed the Group's capital ratio against a backdrop of our strong trading and funding position, and more stable economic conditions. This review concluded that it was appropriate to reduce the equity to receivables ratio target to 50% and we concluded a £60 million share buyback programme in the second half of the year to achieve this. A total of 9,719,991 shares were purchased for cancellation at an average price of 613.0 pence per share. At the year end, the equity to receivables ratio was in line with this new target.

We are committed to making the Group's balance sheet work harder in order to optimise the amount of equity capital in the business and enhance shareholder returns. Our Board will continue to keep the equity to receivables ratio under review.

Treasury risk management

Despite the recent improvement in the condition of global financial markets, we think it is prudent to plan on the basis that we could experience volatility in financial markets within our planning horizon. Our Board-approved treasury policies which address the principal financial risks that our business faces, aim to ensure that we are well funded and well hedged, even in difficult external financial market conditions. Our policies require us to maintain a relatively high level of hedging for the key currency and interest rate risks. Funds are borrowed in the same currencies as our receivables, as far as possible (directly or indirectly). We have fixed 75% of our currency and interest costs for 2014, and 25% for 2015.

In respect of bank counterparty credit risk, we do not hold significant amounts of surplus cash. Our exposure to credit risk on cash or via currency and derivative transactions is limited to single A-rated counterparties as a policy minimum, except as expressly approved by the Board. We believe that the combination of our successful business model, which was stress-tested during the 2008-9 financial crisis, and our strong financial profile combined with our prudent funding and hedging position, mean that we are well placed to withstand external shocks in financial markets.

Receivables and prudent provisioning

At the end of 2013, receivables were £784.8 million, which is £143.1 million (22%) higher than 2012 in constant currency terms and reflects the growth in the business. The average period of receivables outstanding was 5.8 months (2012: 5.4 months) with 94.2% of year end receivables due within one year (2012: 96.4%). The slight lengthening of the receivables book reflects the introduction of longer-term loans in our Central European markets.

We operate a prudent, objective and centrally controlled impairment provisioning system that has the following key attributes:

- impairment provisions are assessed on a weekly basis;
- the trigger for an impairment provision is any missed payment or portion of payment, even if the agent fails to visit a customer, with the exception of the first four weeks for a new customer to allow repayment patterns to be established;
- impairment charges are always calculated by reference to the customer's original contractual repayment schedule, even when an extended repayment schedule has been agreed under our forbearance procedures;
- customers are categorised into arrears stages by reference to their most recent 12 week repayment performance;
- provision percentages for each arrears stage have been derived using statistical modelling of past customer performance that estimates the amount and timing of cash flows; and
- separate statistical models are used for each product in each country and these models are reviewed on a regular basis to ensure that they reflect current performance.

Going concern

The Board has reviewed the budget for the year to 31 December 2014 and the forecasts for the four years to 31 December 2018 which include projected profits, cash flows, borrowings and headroom against facilities. The Group's committed funding through a combination of bonds and committed bank facilities is sufficient to fund the planned growth of our existing operations and new markets for the foreseeable future. The Group also has a successful track record of accessing debt funding markets. Taking these factors into account, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the Board has adopted the going concern basis in preparing these Financial Statements.

David Broadbent
Chief Commercial Officer

Adrian Gardner
Chief Financial Officer

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 2013, we faced an increasingly challenging external environment, particularly from changing regulation and competition. Internally, we are reshaping our operational governance framework and implementing an improved risk management process, as noted on pages 44 and 45.

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* • Competition and product proposition* • Funding* • Interest rate* • Currency* • Counterparty* • Taxation* • World economic environment*	• Compliance with laws and regulations • Adapting to competitive environment • Funding availability to meet business needs • Market volatility impacting performance and asset values • Loss of banking partner • Changes to, or interpretation of, tax legislation • Adapting to economic conditions
Stakeholder	The risk that key stakeholders take a negative view of the business either as a direct result of our actions or 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 inadequate or failures in our internal core processes, systems or people behaviours.	• Credit* • Safety* • People* • Service disruption and information security* • Financial and performance reporting • Technology • Business Operations • Fraud	• Customers fail to repay • Harm to our agents/people • Quantity/calibre of people • Recoverability and security of systems and processes • Failure of financial reporting systems • Maintenance of effective technology • Effective operation of business model • 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, both due to internal or external factors.	• New market and acquisition • Change Management* • Brand	• Growth of our footprint and operations • Delivery of strategic initiatives • Strength of our customer brand

* Risks currently considered as the key risks facing the Group by the Risk Advisory Group.

Our risk management process is summarised in the Audit and Risk Committee Report on page 53. As at the year end, the Risk Advisory Group considered that there are 14 key risks which require ongoing focus (noted with asterisks in the table above). Nine of these are at a level of significance which requires regular monitoring by the Board.

The current principal risks and uncertainties facing the Group are as follows:

Risk	*Relevance*	*Mitigation*	*Commentary*
Regulatory We suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with all applicable laws and regulations, or an external party 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.	We must keep up to speed with regulatory developments to ensure we can remain competitive and provide value for our customers. Changes in regulation or differences in interpretation can lead to challenge of our products/practices.	We have highly skilled and experienced legal teams at Group level and in each of our markets. Expert third party advisors are used where necessary. Strong relationships are maintained with regulators and other stakeholders. Co-ordinated legal and public affairs teams, at a Group level and each market, monitor political, legislative and regulatory developments.	**Lead Responsibility:** **Chief Financial Officer** A number of legislative and regulatory changes continue to be proposed and debated, particularly in Europe. The Group is currently subject to some challenges over its interpretation of regulation. See page 19 for further details. We continue to maintain constructive relationships with regulators and opinion formers.
Competition and product proposition We suffer losses or fail to optimise profitable growth through not responding to the competitive environment in market or a failure to ensure our proposition meets customer needs. **Objective** We aim to ensure we understand competitive threats and deliver customer focused products to drive growth.	In an environment of increasing competition and broadening customer choice, ensuring our product meets customers' needs is critical to deliver growth.	Regular monitoring of competitors and their offerings in our markets. Competitor advertising and share of voice monitored. Regular surveys of customer views on our product offerings. Product development committees established across the Group to manage product change.	**Lead Responsibility:** **Chief Executive Officer** The competitive landscape continues to evolve as noted on page 18. Our Strategy for Growth includes ongoing initiatives designed to improve customer engagement as noted on page 23.
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 that will enable the Group to achieve its strategic aims.	Our reputation can have an impact on both customer sentiment and the engagement of key stakeholders.	Group Reputation and Regulation Committee. Clearly defined corporate values and ethical standards which are communicated throughout the organisation. External monitoring of reputation.	**Lead Responsibility:** **Chief Executive Officer** Our businesses continue to achieve awards for ethical and effective operations and we have seen improvements in the perception of our organisation across all markets in the results of external surveys in 2013. In light of the increasing regulatory challenges being faced (see page 19), we continue to communicate our position to investors and other key stakeholders.

Key
Risk environment improving
Risk environment remains stable
Risk environment worsening

Risk	*Relevance*	*Mitigation*	*Commentary*
Safety The risk of personal accident or assault for any of our agents or employees. **Objective** We aim to maintain adequate arrangements that reduce the risks to as low as is reasonably practicable.	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 is paramount to us and we strive to ensure that our agents and employees can carry out their work without risk of harm.	Group and market loss prevention committees and annual safety survey. Bi-annual risk mapping for each agency including mitigation planning and field safety training. Annual self-certification of safety compliance by managers. Quarterly branch safety meetings. Role specific training and competence matrix. Safety management systems based on internationally recognised standards.	**Lead Responsibility: Chief Commercial Officer** We continued to make progress in our safety management systems throughout 2013 with the UK, Hungarian, Czech Republic and Slovakian businesses being certified against OHSAS 18001. The remaining markets are expected to be accredited in 2014. Safety continues to be a significant area of focus for the Group.
People Our strategy is impacted due to 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 will have sufficient depth of personnel to ensure we can meet our growth objectives.	Our Strategy for Growth includes plans to expand our footprint both in existing and new markets. In order to achieve this growth we must continue to attract, retain and reward the right people.	People and Organisational Planning process operating throughout the Group. Groupwide personal development review process and continuous development through tools such as 360 feedback. Annual employee and agent engagement surveys and improvement plans. Group standard employee competency framework aligned to Strategy for Growth.	**Lead Responsibility: Chief Executive Officer** Our succession and development process has been implemented in all markets in 2013 and plans to develop key individuals are in place. Agent stability has continued to improve in all markets. Our global engagement survey showed that employee and agent engagement has improved significantly.

Risk	*Relevance*	*Mitigation*	*Commentary*
Service disruption 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 or theft of sensitive information. **Objective** We aim to maintain adequate arrangements and controls that reduce the threat of service disruption and the risk of data loss to as low as is reasonably practicable.	Globally we have 2.6 million customers and we record, update and maintain data for each of them on a weekly basis. The availability of this data, and the continued operation of our systems and processes, are essential to the effective operation of our business and the security of our customer information.	Agreed standard operating procedures for handling, transmitting and storing information, supported by formal training arrangements. Core head office-based systems operate in a virtualised environment and are supported by approved service level agreements. Agreed and tested business continuity plan for all branches and Head Office functions. Business Impact Assessments performed at least every two years. Group and market level governance committees that oversee our service disruption and information security arrangements.	**Lead Responsibility: Chief Commercial Officer** In 2013, we performed a Groupwide review of both our information security and service continuity control systems. We have developed management systems based on ISO standards. We continue to enhance our systems and processes to ensure customer and business data is as secure as practicable and that any disruption to the business is minimised.
Taxation We suffer additional taxation or financial penalties associated with failure to comply with tax legislation or adopting an interpretation of the law which cannot be sustained. **Objective** We aim to generate shareholder value through effective management of tax whilst acting as a good corporate citizen.	In 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.	Binding rulings or clearances obtained from authorities where appropriate. External advisors used for all material tax transactions. Qualified and experienced tax teams in each of our markets and in the UK.	**Lead Responsibility: Chief Financial Officer** We continue to be vigilant and ensure our interpretation of taxation legislation is defendable. Tax audits are currently being undertaken in Poland and Mexico. See page 94 for further information.

Key
Risk environment improving
Risk environment remains stable
Risk environment worsening

Risk	*Relevance*	*Mitigation*	*Commentary*
Change management We suffer losses or fail to optimise profitable growth due to a failure to manage change in an effective manner. **Objective** We aim to effectively manage the design, delivery and benefits realisation of major global change initiatives and deliver according to requirements, budgets and timescales.	Our global change programme, Transformation for Growth, is key to delivering our Strategy for Growth. Effective management of the initiatives within this programme is essential.	Executive Director and Country Manager level prioritisation of key initiatives. Standard project management methodology principles defined. Governance structure in place to oversee ongoing change at Group and market levels.	**Lead Responsibility: Chief Commercial Officer** Our change programme has commenced. We have engaged a major new IT partner to help us deliver a more technology-enabled approach to serving our customers.
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 which allow us to respond to changes in economic conditions and optimise business performance.	Changes in economic conditions have a direct impact on our customers' ability to make repayments.	Treasury and Credit Committees review economic indicators. Daily monitoring of economic, political and national news briefings. Strong, long-term customer relationships inform us of individual customer circumstances.	**Lead Responsibility: Chief Financial Officer** Macroeconomic conditions have continued to stabilise in 2013 with indications of a broader recovery in 2014. Further detail on expected trends can be found on page 18.

Our 2013 Strategic Report, from page 2 to page 41, has been reviewed and approved by the Board on 26 February 2014.

Gerard Ryan
Chief Executive Officer

Committee membership key
- A Audit and Risk Committee
- D Disclosure Committee
- E Executive Committee
- N Nomination Committee
- R Remuneration Committee

1. Christopher Rodrigues CBE

Chairman, age 64

N

Christopher joined the Board of International Personal Finance plc in 2007 at the time of the demerger from Provident Financial plc, serving as Executive Chairman until October 2008 when the chairmanship became a non-executive role.

Qualifications: Graduated in Economics and Economic History, has an MBA and was awarded an Honorary Degree of Doctor of the University of Surrey.

Other appointments: Chairman of VisitBritain, Almeida Theatre Company Limited, The Windsor Leadership Trust, the British Bobsleigh & Skeleton Association, and on 30 January 2014 he became Chairman of Openwork Holdings Limited. He is an advisor to Monitise plc and on the Council and a Trustee of the National Trust and is an executive committee member of the World Tourism and Travel Council.

Previous appointments: A non-executive director of Ladbrokes plc, Chief Executive of Thomas Cook, Chief Executive of Bradford and Bingley, board member of the Financial Services Authority, President and Chief Executive of Visa International and Joint Deputy Chairman of Provident Financial plc.

2. Gerard Ryan

Chief Executive Officer, age 49

D E N

Gerard joined the Board of International Personal Finance plc in January 2012 as Chief Executive Officer (Designate) and became Chief Executive Officer at the beginning of April 2012.

Qualifications: Fellow of the Institute of Chartered Accountants Ireland.

Previous appointments: Chief Financial Officer of Garanti Bank, Turkey and Chief Executive Officer of GE Money Bank, Prague; Chief Executive Officer of Citi's consumer finance businesses in the Western Europe, Middle East and Africa region; director of Citi International plc, Egg plc and Morgan Stanley Smith Barney UK.

3. Adrian Gardner

Chief Financial Officer, age 51

D E

Adrian joined the Board of International Personal Finance plc on 2 January 2014 as Chief Financial Officer.

Qualifications: Graduated in Engineering Science and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments: A non-executive director of Amdocs Limited and is a Member of the Advisory Council to Worcester College, Oxford University.

Previous appointments: Chief Financial Officer of RSM Tenon Group plc, PA Consulting Group Limited and ProStrakan Group plc and a Managing Director of Lazard LLC.

4. David Broadbent

Chief Commercial Officer, age 45

D E

David joined the Board of International Personal Finance plc as Finance Director in 2007 and became Chief Commercial Officer on 2 January 2014.

Qualifications: Graduated in Classics, has an MBA and is a chartered accountant.

Previous appointments: Senior Manager with PricewaterhouseCoopers, Financial Controller and later Finance Director of the International Division of Provident Financial plc.

5. Tony Hales CBE

Senior Independent non-executive director, age 65

A N R

Tony joined the Board of International Personal Finance plc as a non-executive director in 2007.

Qualifications: Graduated in Chemistry.

Other appointments: Chairman of Canal & River Trust, a non-executive director of Capital & Regional plc and a board member of The Services Sound and Vision Corporation. He is also a director of Welsh National Opera Limited and Chairs Naafi Pension Fund Trustees.

Previous appointments: Chief Executive of Allied Domecq plc, Chairman of Workspace Group plc and NAAFI, and a non-executive director of Provident Financial plc, Welsh Water plc, Aston Villa plc, HSBC Bank plc and Reliance Security Group plc.

6. Edyta Kurek

Independent non-executive director, age 47

N

Edyta joined the Board of International Personal Finance plc as a non-executive director in February 2010.

Qualifications: Has an MA in Nuclear Engineering.

Other appointments: Vice President Nordics, East Europe, Middle East and France of Herbalife.

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

7. Richard Moat

Independent non-executive director, age 59

A R

Richard joined the Board of International Personal Finance plc as a non-executive director in July 2012.

Qualifications: Graduated in Law from St. Catharine's College Cambridge and is a Fellow of the Association of Chartered Certified Accountants.

Other appointments: Chief Financial Officer of Eircom Limited, an advisory board member of Tiaxa, Inc Chile, Trustee of the Peter Jones Foundation, and chair of the ACCA Accountants for Business Global Forum.

Previous appointments: Deputy Chief Executive Officer and Chief Finance Officer of Everything Everywhere Limited, Managing Director of T-Mobile UK Limited, Chief Executive Officer of Orange Romania SA, Orange Denmark A/S and Orange Thailand Limited.

8. Nicholas Page

Independent non-executive director, age 61

A N R

Nicholas joined the Board of International Personal Finance plc as a non-executive director in 2007.

Qualifications: Graduated in Philosophy, Politics and Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Other appointments: During the year Chair of C.A.R.E. Europe 1 S.a.r.l. and C.A.R.E. Europe 2 S.a.r.l., and a director of RSM Tenon Group plc, adviser to Small World Financial Services.

Previous appointments: Chief Operating Officer of Travelex plc, Managing Director of Hambro Insurance Services plc, executive director of Hambros Bank and Joint Deputy Chairman of Hambro Group Investments, and a non-executive director of MoneyGram International Limited, Collins Stewart Hawkpoint plc.

9. Cathryn Riley

Independent non-executive director, age 51

R

Cathryn joined the Board of International Personal Finance plc as a non-executive director in February 2014.

Qualifications: Has an MA in Manpower Studies, completed CEDEP's General Management Programme and is a graduate of the Institute of Personnel/ HR Management.

Other appointments: A non-executive director of The Equitable Life Assurance Society.

Previous appointments: Group Chief Operations Officer of Aviva plc, chair of Aviva Healthcare UK Ltd, Aviva Global Services and Hill House Hammond, General Manager, Transformation at BUPA and a Principal Consultant in the financial services division at Coopers & Lybrand.

> "We have well-developed governance systems in place in all of our markets to manage the various risks we face."
>
> **Christopher Rodrigues**
> *Chairman*

Dear Shareholder,

The Board's commitment to good governance is undiminished. We have systems in place which we believe enable us to manage our businesses in an open, transparent and ethical manner, and for the long-term benefit of all our stakeholders.

The environment in which we operate, however, is subject to change and we must respond to this when it comes to our systems of governance. In the past year we have seen our business sector become subject to heightened regulatory debate, particularly in Europe. There have also been increased levels of scrutiny in the area of consumer protection. We have well-developed governance systems in place in all of our markets to manage the various risks we face, including regulation.

We continue to develop our governance procedures to ensure that they remain fit for purpose. During 2013 we carried out a review of our overall operational governance and oversight framework to make sure that it was properly aligned to the needs of our business. The recommendations from this review were considered by the Audit and Risk Committee and will be fully implemented in 2014. As part of this we have brought together the oversight of our safety, business continuity, fraud and information security into one body responsible for managing loss prevention. In addition, we have re-defined the group responsible for business transformation to ensure we have clear oversight of our change programme across the entire Group. This is particularly important as we move forward with our Transformation for Growth programme, an initiative designed to create a step change in the way we operate in an increasingly competitive landscape.

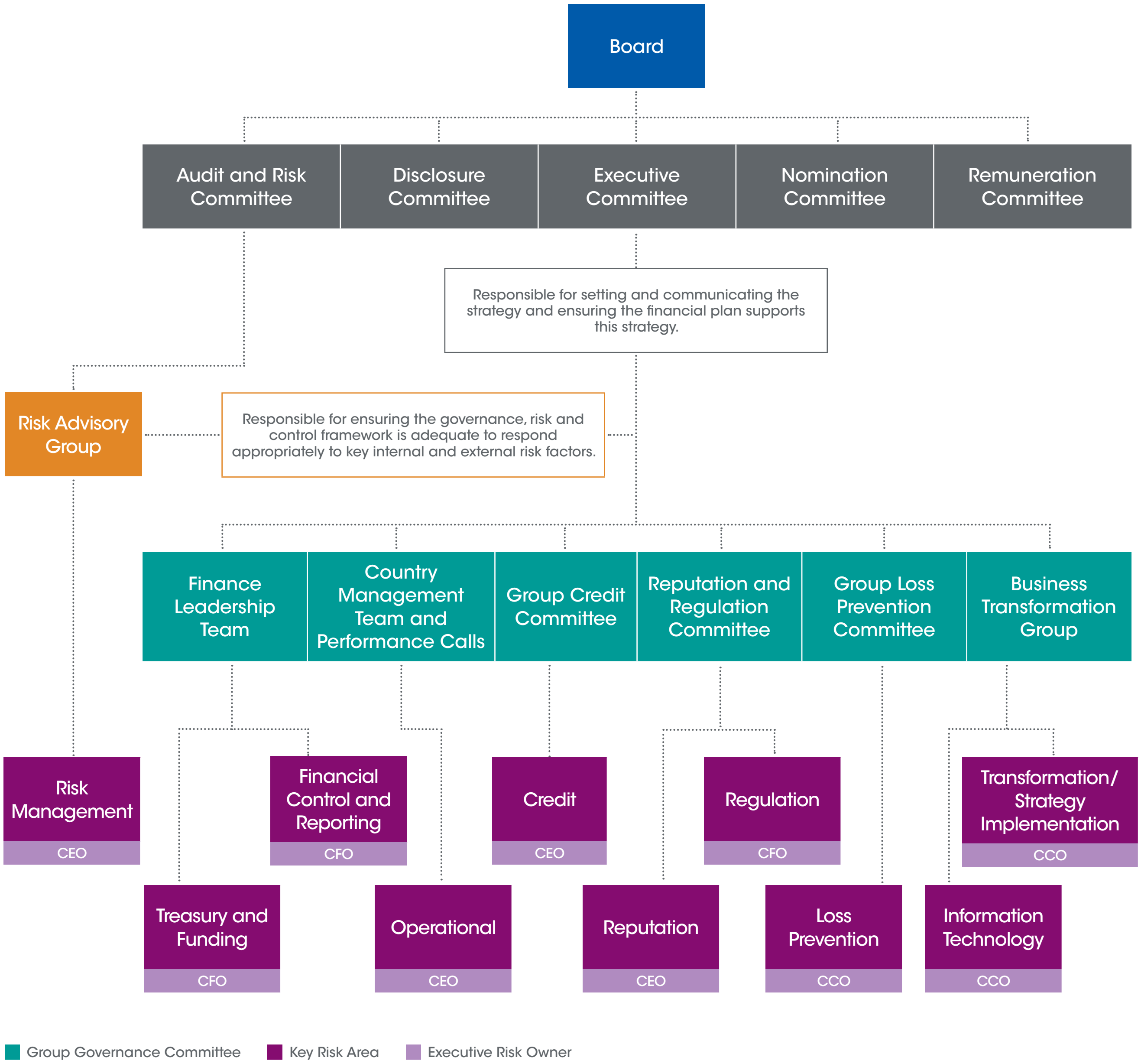
Part of my role as Chairman is to create a Board that can provide the leadership to drive forward our strategy and the oversight required to deal with the new and emerging challenges we face. As a result, in 2013 we announced that David Broadbent would take on the newly created role of Chief Commercial Officer, which includes the responsibility for our transformation programme, and announced the appointment of Adrian Gardner as Chief Financial Officer. Adrian joined the Board on 2 January 2014 and brings with him a wealth of experience as CFO across multiple sectors. On 12 February 2014 we also announced the appointment of Cathryn Riley as a non-executive director. Cathryn brings extensive experience in major IT transformation programmes and implementing new distribution channels.

In addition, we took significant steps in 2013 to ensure that we have the right people with the appropriate levels of expertise and oversight at senior management level throughout the Group. This is not a static initiative. As part of our commitment to succession planning we fully embedded our People and Organisational Planning process into the business in 2013. This is designed to identify and develop the next level of senior leaders across the Group.

The quality of our people, combined with the enhanced governance procedures we are implementing, gives me the assurance that the business can move forward with confidence in 2014.

Christopher Rodrigues
Chairman

Our governance and oversight structure



Corporate Governance

"A formal governance structure is in place to ensure effective decision making and oversight throughout the Group."

Christopher Rodrigues
Chairman

Overview

The Board leads and provides strategic direction to the Company. Our business model and strategy can be found on pages 4 to 5 and 22 to 25. There is a formal schedule of matters reserved specifically to the Board for decision. An overview of these can be found on page 48.

Other matters are delegated specifically to five principal Board Committees. Their terms of reference are available on our website (www.ipfin.co.uk) and from the Company Secretary. Details of the work of the Nomination Committee and the Audit and Risk Committee can be found on pages 50 to 54. The work of the Remuneration Committee is discussed fully in the Directors' Remuneration Report on pages 61 to 78. The Chairman of each Committee briefs the whole Board at each meeting on the principal items that were discussed, decisions and issues.

The day-to-day running of the business is delegated to the Executive Committee, which comprises the Chief Executive Officer, the Chief Financial Officer and the Chief Commercial Officer. In 2013 the Executive Committee met frequently to process a wide range of matters, often of a technical nature. The Disclosure Committee meets as required to consider whether an announcement to the London and Warsaw Stock Exchanges is required. It comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the Company Secretary and met four times in 2013.

The governance framework extends to operational activities with decision-making and oversight responsibilities delegated to a series of Group governance committees, as shown in 'Our governance and oversight structure' on page 45.

Board members

Christopher Rodrigues – Chairman
Gerard Ryan
Adrian Gardner (from 2 January 2014)
David Broadbent
Tony Hales
Edyta Kurek
John Lorimer (until 25 April 2013)
Richard Moat
Nicholas Page
Cathryn Riley (from 12 February 2014)

Achievements for 2013

- Oversight of the selection of a significant IT partner to help transform and modernise the business over the coming years.
- Appointment of David Broadbent into the position of Chief Commercial Officer to provide focused leadership of the Group's transformation programme, and appointment of Adrian Gardner as Chief Financial Officer.
- Thorough review of the Group's succession and development plans for senior leadership roles.
- Approval of the secondary listing of the Company's shares on the Warsaw Stock Exchange.
- Review of new market strategy, culminating in the launch of new businesses in Bulgaria and Lithuania.

2014 objectives

- Focus on growth through:
  - monitoring progress of new product developments;
  - reviewing investment cases for new markets and potential acquisition opportunities; and
  - continuing focus on development and leadership, including Board succession planning.
- Build sustainability through:
  - considering opportunities to reduce funding costs;
  - ensuring a continued focus on regulatory risk and the management thereof;
  - monitoring progress of the transformation programme; and
  - keeping abreast of developments in the competitive environment.

Work in 2013

Meetings

The Board held nine scheduled meetings in 2013, one ad hoc meeting and one strategy retreat. Details of the matters considered at the meetings during the year are shown below.

Matters considered by the Board in 2013

January	• New market update • Sustainability review • 2012 Board evaluation survey results reviewed • Functional presentation: Marketing • Standing agenda items[1]
February	• 2012 Group results, Annual Report and Financial Statements and AGM notice reviewed • New market update • Commencement of trading in Bulgaria and Lithuania approved • Funding diversification reviewed • Secondary listing on the Warsaw Stock Exchange approved • Statement of principal risks approved • Updated terms of reference of Executive Committee approved • Issue of invitations to employees under the SAYE Scheme approved • Functional presentation: Technology • Standing agenda items[1]
March[2]	• Issue of notes under the Euro Medium Term Note Programme (Retail Bond) approved
April	• Q1 2013 Interim Management Statement reviewed • Romania – business update • Functional presentation: Loss prevention/Health and safety • Board training session on cyber-security • Standing agenda items[1]
May	• Board strategy retreat • Progress of Strategy for Growth reviewed • Sale of Polish debt portfolio approved • Functional presentation: Competitor activity
June	• Poland - business update • Functional presentation: Credit risk • Standing agenda items[1]
July	• Group results for the first six months and the 2013 half year financial report reviewed • Declaration of interim dividend approved • Capital structure considered and £60M share buyback approved • Issue of invitations to employees under the SAYE Scheme and the move to annual launch approved • Hungary – business update • Functional presentation: Technology • Standing agenda items[1]
September	• Update on Transformation for Growth programme • New market update • Mexico – business update • Review of Chairman's performance and fee • Implementation of a Groupwide all-employee incentive scheme approved • Functional presentation: Competitor activity • Standing agenda items[1]
October[3]	• Q3 2013 Interim Management Statement approved • Issue of notes under the Euro Medium Term Note Programme (Retail Bond) approved • Functional presentation: People and Organisational Planning • Functional presentation: Corporate Affairs – reputation and sustainability review • Standing agenda items[1]
December	• Budget strategy plan review • Review of non-executive directors' performance and fees • Standing agenda items[1]

1 Standing agenda items: Reports from Chief Executive, Finance Director, Committee Chairmen and Company Secretary; a review of performance against KPIs; review of competition and regulation.

2 Ad hoc meeting.

3 There were two meetings in October 2013; one specifically to consider the Interim Management Statement.

Matters reserved for decision by the Board

The Board's key responsibilities are set out in a schedule of matters reserved to it for approval. These include:

- Group strategy and risk appetite;
- approval of results;
- approval of budgets;
- approval of dividends;
- approval of major transactions;
- treasury policies;
- approval and amendment of a prospectus and approval and issuance of bonds and notes;
- Board appointments and appointments to Board Committees;
- health and safety and environmental policy;
- corporate governance;
- annual review of the effectiveness of the Group's system of internal control;
- approval of directors' conflicts of interest; and
- certain credit policies, particularly in respect of repeat lending, provisioning, write-offs and material changes to product structure and pricing.

The Board

Division of responsibilities of our Chairman, Chief Executive Officer and Senior Independent Director

The Board has approved a statement of the division of responsibilities between the Chairman, the Chief Executive Officer and the Senior Independent Director.

The role of our Chairman

The Chairman is responsible for chairing Board meetings and monitoring their effectiveness, and chairing the Annual General Meeting ('AGM') and Nomination Committee. The Chairman is also Chairman of VisitBritain. He ceased to be a non-executive director of Ladbrokes plc during 2013.

The role of our Chief Executive Officer

The Chief Executive Officer is responsible for developing and implementing the strategy agreed by the Board and for all executive matters (apart from those reserved to the Board and the Board Committees) and delegates accordingly.

The role of our Senior Independent Director

The Senior Independent Director is available to shareholders if they have concerns, which contact through the normal channels of Chairman, Chief Executive Officer and Chief Financial Officer has failed to address or for whom such contact is inappropriate.

Non-executive directors

The independent non-executive directors have been appointed for a fixed period of three years, subject to re-election by shareholders. The initial period may be extended for a further period. Their letters of appointment may be inspected at the Company's registered office and are available from the Company Secretary. Each of the non-executive directors has been formally determined by the Board to be independent for the purposes of the UK Corporate Governance Code (the 'Code').

Executive directors

Executive directors are responsible for managing the operations of the Group on a day-to-day basis, as well as their own specific areas of responsibility.

Meetings

A series of scheduled meetings and a strategy retreat are planned in advance each year. A detailed agenda and a pack of Board papers are made available electronically to each director a week before each meeting so he/she has sufficient time to review them. Additional meetings are convened if required and there is contact between meetings where necessary. The Chairman has held a number of sessions with the non-executive directors without executive directors present, and the non-executive directors have met without the Chairman.

Conflicts of interest

To take account of the Companies Act 2006, the directors have adopted a policy on conflicts of interest and established a register of conflicts. The directors consider that these procedures have operated effectively in 2013 and up to 26 February 2014.

Company Secretary and independent advice

All directors are able to consult with the Company Secretary, who also updates the Board on a regular basis on developments relating to governance. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary is secretary to the Board Committees (other than the Disclosure Committee of which the Assistant Company Secretary is Secretary). Any director may take independent professional advice at the Company's expense relating to the performance of his/her duties.

Training

The Company's policy is to provide appropriate training to directors. Training takes into account each individual's qualifications and experience and includes environmental, social and governance training as appropriate. Training also covers generic and specific business topics and in 2013 included presentations for the Board on subjects such as marketing, loss prevention and technology. The Board also visited the business in Poland in June and received updates from the Polish management team. A Board visit to the business in the Czech Republic took place in October.

In addition to regular executive director visits, individual non-executive directors visited other markets during the year including Romania and Poland. The Company Secretary maintains a register of training for each director which is reviewed by the Board. A comprehensive, individually tailored induction plan is prepared for new directors.

Performance evaluation

At the beginning of 2013 the Board reviewed the results of its Board evaluation survey. This was followed by a series of individual interviews and a review session led by Andrew Jackson of Stanton Marris, selected as an external leadership and change specialist. As a result, the Directors agreed and subsequently focused on developing a broader skillset, greater Board diversity and targeted Board agendas towards strategic issues.

The Board is again carrying out an evaluation of its performance with directors completing a questionnaire, the results of which will be collated by the Company Secretary.

Under the Code, evaluation should be facilitated externally at least every three years. External evaluation was undertaken for 2010 by Professor Stuart Timperley, who carried out further follow-up meetings for 2011, and facilitated externally by Andrew Jackson in 2013. The Company is, therefore, in compliance with the Code. Neither Professor Timperley nor Andrew Jackson have any other connection with the Company.

Re-election of directors

Under the Company's Articles of Association, each director must offer himself/herself for re-election every three years. After nine years a director, other than an executive director, must offer himself/herself for re-election annually. A director who is appointed initially by the Board is subject to election at the next AGM. The Company has decided that in accordance with best corporate governance practice all directors will offer themselves for re-election again this year. Details of the directors, including the reasons for proposing their election/re-election, are contained in the Chairman's letter to shareholders which will accompany the Notice of AGM.

Policy on Board appointments

The Board has approved a policy on other directorships; any request for an exception to this is considered on its merits. An executive director will be permitted to hold one non-executive directorship (and to retain the fees from that appointment) provided that the Board considers this will not affect his/her executive responsibilities adversely.

The Company's policy is that the Chairman and the non-executive directors should have sufficient time to fulfil their duties, including chairing a Board Committee as appropriate. A non-executive director should not hold more than four other material non-executive directorships. If he/she holds an executive role in another FTSE 350 company, he/she should not hold more than two other material non-executive directorships.

Directors' indemnities and insurance

The Company's Articles of Association permit it to indemnify directors of the Company (or of any associated company) in accordance with the Companies Act 2006. However, no qualifying indemnity provisions were in force in 2013 or at any time up to 26 February 2014 other than under the International Personal Finance plc Pension Scheme ('the Pension Scheme'). Under the deed establishing the Pension Scheme, the Company grants an indemnity to the trustee and the directors of the trustee. Two of these directors are directors of subsidiaries of the Company.

The Company has in place appropriate Directors' and Officers' liability insurance.

Budgetary process and financial reporting

The Board approves a detailed budget each year (usually in December) for the year ahead. It also reviews outline projections for the subsequent four years. Actual performance against budget is monitored in detail regularly and reported monthly for review by the directors. The Board requires its subsidiaries to operate in accordance with corporate policies.

The Financial Statements for the Group are prepared by aggregating submissions from each statutory entity. Prior to submission to the Group reporting team, each country submission is reviewed and approved by the Finance Director of the relevant country. When the submissions have been aggregated and consolidation adjustments made to remove intercompany transactions, the consolidated result is reviewed by the Group Head of Finance and the Chief Financial Officer. The results are compared to the budget and prior-year figures and any significant variances are clarified. Checklists are completed by each statutory entity and by the Group reporting team to confirm that all required controls, such as key reconciliations, have been performed and reviewed.

The Financial Statements, which are agreed directly to the consolidation of the Group results, are prepared by the Group reporting team and reviewed by the Group Head of Finance and the Chief Financial Officer. The supporting notes to the Financial Statements are prepared by aggregating submission templates from each market and combining these with central information where applicable. The Financial Statements and all supporting notes are reviewed and approved by the Group Head of Finance and the Chief Financial Officer. These are signed by the Chief Executive Officer, the Chief Financial Officer and the Chief Commercial Officer.

"The Committee considered Board-level succession planning during the year and the leadership required to support the Company's Strategy for Growth."

Christopher Rodrigues
Chairman

Committee members

Christopher Rodrigues – Chairman
Tony Hales
Edyta Kurek
John Lorimer (until 25 April 2013)
Nicholas Page
Gerard Ryan

Overview

Role

The Committee's responsibilities include:

- assisting the Board in selecting and appointing any new director and recommending their appointment to the Board;
- reviewing the size, structure and composition of the Board; and
- succession planning.

Composition

The Committee must have at least three members, the majority being independent non-executive directors. Members can also include the Chairman and the Chief Executive. Three members form a quorum.

Boardroom diversity

In reviewing Board composition, the Committee considers the benefits of all aspects of diversity, including differences in skills, regional and industry experience, race and gender. Currently the Company considers candidates as non-executives from a wide pool including those with little or no listed company board experience and reviews long lists of candidates, 50% of which are mandated to be women. The Company also only engages executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice. At the end of 2013, 13% of Board members were women. The Committee has already met its aim of having at least two female directors on the Board by the end of 2014.

Work in 2013

Meetings

The Committee met five times during the year.

Election and re-election of directors

Directors are appointed to the Board following a robust selection process and on the Committee's recommendation. The performance of each Director is assessed on an annual basis as part of the Board evaluation process. In addition, a review of the independence of each non-executive director is undertaken and consideration given to the attendance of each director at Board and Committee meetings. Based on these reviews the Board recommends the re-election of all directors who are standing for re-election at the 2014 AGM.

Board composition

In January, the Committee reviewed the size, structure and composition of the Board and concluded that further gender diversity and the addition of complementary skills would enhance its composition.

Board appointments

The Committee oversaw the recruitment of a new Chief Financial Officer and retained search consultants Hitchenor Wakeford to assist with this. Following an additional internal recommendation, the Committee recommended the appointment of Adrian Gardner to the Board. Adrian took up his position as an executive director on 2 January 2014. Adrian brings a wealth of new experience and proven business acumen to the Company at a very exciting point in its development. The Committee also oversaw the recruitment of Cathryn Riley as a non-executive director in conjunction with MWM Consulting. Cathryn has over 20 years' experience in insurance and financial services. Her appointment, effective from 12 February 2014, further strengthens the Board. Adrian and Cathryn will stand for election to the Board for the first time at the 2014 AGM. Neither Hitchenor Wakeford nor MWM Consulting has any other connection with the Company.

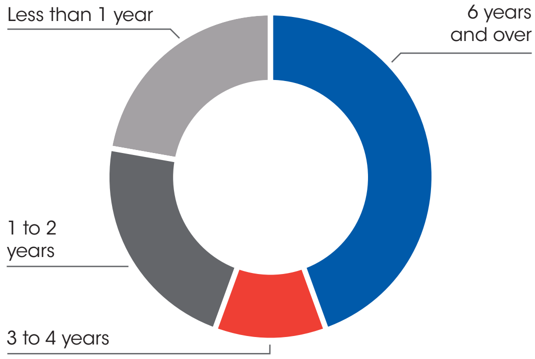
Board succession

The Committee considered Board-level succession planning and the leadership required to support the Company's Strategy for Growth. With this in mind, it recommended the appointment of David Broadbent to the newly created role of Chief Commercial Officer and recommended the appointment of Adrian Gardner as Chief Financial Officer. This enables David Broadbent, who had served as Finance Director since the Company was listed in 2007, to use his unrivalled knowledge of the business to help drive forward the strategic transformation and modernisation of the home credit business.

Tenure of non-executive directors

At the beginning of the year, the Committee considered the extension of the terms of those non-executive directors whose appointments were nearing their end. Taking into account its review of the composition of the Board and the requirements of the Code, the Committee recommended to the Board further three-year terms for Christopher Rodrigues, Tony Hales, Edyta Kurek and Nicholas Page. Those directors, who are members of the Committee, were not present when their own tenure was discussed. When the tenure of the Committee Chairman was discussed the Senior Independent Director took the chair. The tenure of all current directors is shown opposite.

Tenure of current directors



Other work

The Committee also reviewed and approved Board and Committee meeting attendance for 2011 and 2012. Attendance in 2013 is shown below.

Meetings of the Board and Board Committees

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Christopher Rodrigues	11 out of 11		5 out of 5	
David Broadbent	11 out of 11			
Tony Hales[1]	10 out of 11	6 out of 6	5 out of 5	5 out of 5
Edyta Kurek[2]	9 out of 11		4 out of 5	
John Lorimer[3]	2 out of 4	1 out of 2	1 out of 2	1 out of 1
Richard Moat[4]	11 out of 11	6 out of 6		4 out of 4
Nicholas Page[5]	10 out of 11	6 out of 6	5 out of 5	5 out of 5
Gerard Ryan	11 out of 11		5 out of 5	

1 Tony Hales missed one Board meeting due to illness.
2 Edyta Kurek missed two Board meetings and one Nomination Committee meeting due to other business commitments.
3 John Lorimer missed one Board meeting, one Audit and Risk Committee meeting and one Nomination Committee meeting as he was in New Zealand and unable to dial in. He also missed one Board meeting as he was out of the country on business. He retired from the Board on 25 April 2013.
4 Richard Moat was appointed to the Remuneration Committee on 24 April 2013.
5 Nicholas Page missed one ad hoc Board meeting as he was unable to dial in due to technical difficulties.

Remuneration Committee Report

Full details of the membership and work of the Remuneration Committee are contained in the Directors' Remuneration Report on pages 61 to 78.

"A comprehensive review of our overall operational governance and oversight structure was undertaken in 2013."

Nicholas Page
Chairman

Committee members

Nicholas Page – Chairman
Tony Hales
John Lorimer (until 25 April 2013)
Richard Moat

Overview

Membership

Our Audit and Risk Committee comprises three non-executive directors and is chaired by Nicholas Page, a Fellow of the Institute of Chartered Accountants in England and Wales, and who has relevant and recent experience for the purposes of the Code. Meetings related to risk are normally attended by all members of the Board. The external auditor, Deloitte LLP, attends the meetings related to audit and the Chief Financial Officer together with the Head of Compliance and Risk attend all meetings by invitation. Periodically, senior management from across the Group are invited to present on specific aspects of the business.

The Committee also meets from time to time with the external auditor, without an executive director or member of the Group's senior management being present, to discuss the external audit process. The Head of Compliance and Risk reports directly to the Chairman of the Committee, which ensures his independence from the management and operation of the business.

Committee responsibilities

The objective of the Committee is to oversee the Group's financial reporting, internal controls and risk management procedures together with the work performed by the external auditor and internal audit function. The main responsibilities are as follows:

- keep under review the effectiveness of the Group's system of internal control, including operational and compliance controls and risk management;
- monitor the integrity of the Financial Statements of the Company and the formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- provide advice to the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy;
- make recommendations to the Board, for the Board to put to shareholders in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve their terms of appointment;
- review and monitor the objectivity and independence of the external auditor and the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- review and approve the internal audit programme for the year and monitor the effectiveness of the internal audit function in the delivery of the plan; and
- keep under review the Group Risk Register and consider the most important risks facing the Group and their mitigation.

Work in 2013

Meetings

The Committee met six times during the year: twice to consider risk, three times to consider audit-related matters and once to consider both risk and audit-related matters.

Financial reporting

The Committee reviewed and considered the following areas in respect of financial reporting and the preparation of the interim and annual Financial Statements:

- the appropriateness of accounting policies used;
- compliance with external and internal financial reporting standards and policies;
- significant judgements made by management;
- disclosures and presentation; and
- whether the Annual Report and Financial Statements are fair, balanced and understandable.

In carrying this out, the Committee considered the work and recommendations of management. In addition, the Committee received reports from the external auditor setting out its view on the accounting treatments and judgements underpinning the Financial Statements. The significant judgements considered by the Committee were:

- *Impairment of receivables:* The key area of judgement in respect of impairment provisions made against customer receivables is the predictive accuracy of statistical models used to estimate future customer default rates and expected future timing of cash flows in respect of each portfolio. At both the interim and full year results the Committee considered a paper prepared by management summarising the work performed to test the continued predictive capacity of these statistical models and to update them where appropriate. The external auditor performed detailed audit procedures on impairment provisioning and reported its findings to the Committee.

- *Revenue recognition:* The judgement in respect of revenue recognition is the methodology used to calculate the effective interest rate. The external auditor performed detailed procedures to assess management's calculations and assumptions used to calculate the effective interest rate and reported its findings to the Committee.

- *Hedge accounting:* The Group uses derivative financial instruments, principally interest rate swaps and forward currency contracts, to manage the interest rate and currency risks arising from the Group's underlying business operations. The derivative financial instruments are assessed against the hedge accounting criteria in IAS 39 and, where they meet the requirements, hedge accounting is applied. The external auditor performed detailed work to assess the control environment and judgements applied by management in their assessment of hedge accounting and reported its findings to the Committee.

- *Provision for uncertain tax positions:* The Group operates in multiple jurisdictions where the taxation treatment of transactions is not always certain and, therefore, management is required to make judgements, based on internal expertise and external advice, on the methodology to be adopted for providing for uncertain tax positions. The external auditor performed detailed procedures to assess management's judgements and reported its findings to the Committee.

- *Deferred tax accounting:* The key judgement in respect of the Group's deferred tax assets, which arise largely from timing differences between the accounting and tax treatments of revenue and impairment transactions, is the extent to which the timing differences will reverse and a tax deduction will be obtained in future periods. The external auditor performed detailed procedures to assess whether the recognition of the deferred tax asset is appropriate and reported its findings to the Committee.

- *Regulation:* The business is subject to regulatory scrutiny in multiple jurisdictions and at times it is appropriate to make provision for potentially adverse rulings by these regulatory authorities. The Committee received a report from the Group Legal Director outlining the various regulatory and other similar issues and management's approach. External audit discussed the matter with the Group Legal Director, reviewed the external legal advice and reported its findings to the Committee.

Internal control and risk management

Whilst the Board is responsible for the Group's system of internal control, this is delegated to the Committee. The Committee, with the Board in attendance, reviews and approves the Group Risk Register. The internal control environments in place to mitigate the impact of each risk are monitored by the Committee on a regular basis, as are the principal actions being taken to improve these. The Committee requests additional presentations on key business areas as necessary to supplement their understanding of control environments in place. The areas covered by these in 2013 are referred to over the page in the 'Training' section. The internal controls in relation to the preparation of consolidated Financial Statements are outlined on page 49.

The Committee is supported in this work by the Risk Advisory Group, which comprises the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Group Legal Director, Head of Compliance and Risk, together with other members of the leadership team. The Risk Advisory Group meets four times a year. It reports to the Audit and Risk Committee and considers the risk assessments and risk registers produced in each country, and updates the Group Risk Register. It also considers areas of specific risk and particular issues.

It is recognised that any system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Committee provides oversight and direction over the internal audit plan to ensure the plan provides it with independent assurance over the integrity of internal controls and the operational governance framework. In addition, our external auditor provides us with internal control reports arising from the external audit review. During the year, Deloitte did not highlight any material control weaknesses. PwC undertook a review of disaster recovery and contingency procedures and highlighted areas where these could be strengthened.

Internal audit

During the year, prime responsibility for the provision of the Company's internal audit service changed. In 2013 the Committee was satisfied that the Company's own internal audit function had developed and matured to the point where the opinion on the Company's internal control environment could be provided by the Head of Compliance and Risk rather than PwC. PwC has since been used to support specific thematic reviews where specialist technical knowledge was required.

During 2013 a series of planned internal audit reviews was undertaken in both field operations and head office environments. These were split between basic assurance reviews, covering core controls across the business, and thematic reviews exploring topics agreed between internal audit and management, including the items below:

Internal audit	
Basic assurance	Thematic reviews
Branch level reviews • Management of administration, financial control and legal compliance oversight processes. • Oversight of individual branch performance monitoring and management. • Management of financial loss detection and prevention controls. **Head office reviews** • The existence and effectiveness of the controls used to monitor and manage each of the Group key risks (see pages 37 to 41). • Management of financial control framework.	**Group** • Review of administration processes surrounding the money transfer product. • Business continuity arrangements. • Collections and arrears management processes. • Administration of customer complaints processes. • Information security arrangements. **Transformation programme** • IT technical infrastructure. • IT strategy. • Change management.

The Committee tracks the status of issues raised in control reports closely. During the year the volume and age profile of outstanding control issues has remained within our risk appetite.

A comprehensive review of our overall operational governance and oversight structure was undertaken in 2013 to provide advice to management on how this should be best aligned to the needs of a growth business. The recommendations from this review were discussed and agreed with the Committee and will be implemented in 2014.

External auditor effectiveness and independence

The Committee considered the external auditor's assessment of the significant risks in the Group's Financial Statements set out in its audit plan and approved the scope of the external audit that addressed these risks. The Committee considered these risks and the associated work undertaken by the external auditor when forming its judgement on the Financial Statements.

The Committee monitored the effectiveness and conduct of the external audit by reviewing:

- experience and capabilities of the auditors and the calibre of the audit firm;
- the delivery of its audit work in accordance with the agreed plan; and
- the quality of its report and communications to the Committee.

In order to confirm its independence, the external auditor issued a formal statement of independence to the Committee. In addition, the Committee ensured compliance with the Group's policy on the use of the external auditor for non-audit work. The key requirements of this policy are:

- the external auditors may not undertake certain prohibited services including internal audit, information technology, remuneration, recruitment, valuation or general management consultancy;
- the Head of Compliance and Risk must approve all non-audit services; and
- the Committee Chairman must approve any individual non-audit service over a specific fee level.

The Committee believes that the Group receives a particular benefit from certain non-audit services where a detailed knowledge of its operations are important or where the auditor has very specific skills and experience. However, other large accountancy practices are used to provide services where appropriate. During the year, the non-audit services carried out by Deloitte were as follows.

Non audit-services carried out by Deloitte in 2013	Fee £000
Taxation compliance services	12
Other assurance services	28
Total	40

The Company's policy is to undertake a formal tendering exercise of the audit contract at least once every ten years. The last tender exercise was carried out in March 2011 and resulted in the appointment of Deloitte in May of that year. Deloitte has now been external auditor for almost three years. At its February 2014 meeting, the Committee recommended the reappointment of Deloitte to the Board and its reappointment will be put shareholders at the 2014 AGM.

Training

The Committee undertook a significant amount of training during 2013. This included sessions with Deloitte and PwC to strengthen understanding of cyber-security and the role of the Board in crisis management. It also received presentations on key business areas such as the financial control framework, credit risk, customer service and customer complaints, information security, the customer contact centre and central debt recovery. This training was complemented by a visit to the Company's business in the Czech Republic, which included visits to branches and the call centre as well as presentations on strategy, marketing and the customer experience.

Review of effectiveness

On behalf of the Board, the Committee has reviewed the effectiveness of the Group's framework of internal controls, including financial, operational and compliance controls and risk management systems during 2013. The process for identifying, evaluating and managing the significant risks faced by the Group was in place throughout 2013 and up to 26 February 2014. In addition, the Committee, where appropriate, ensures that necessary actions have been or are being taken to remedy significant failings or weaknesses identified from the review of the effectiveness of internal control.

The Committee has also undertaken a review of its own effectiveness and concluded that it is effective.

Introduction

The Board is responsible for the long-term success of the business and ensuring that it operates in the best interests of all its stakeholders. Good corporate governance is at the heart of this. The Board has ensured that the Company has robust processes in place to ensure that effective governance underpins the work of the Group.

Compliance with the UK Corporate Governance Code

As a public company listed on the London Stock Exchange the Company reports in accordance with the UK Corporate Governance Code. The latest version of the Code was published in September 2012 and is available on the FRC's website: www.frc.org.uk.

The Company also has a secondary listing on the Warsaw Stock Exchange but considers reporting in line with the Code as its primary obligation in terms of this Annual Report and Financial Statements. On listing in Warsaw, the Company issued a Statement on Corporate Governance in relation to 'The Code of Best Practice for WSE Listed Companies' in Poland, a copy of which can be found on our website, and will do so again in 2014.

The Board considers that throughout 2013 the Company applied the main principles and complied with the provisions set out in the Code.

Share capital

Details of our share capital are shown in note 26 on page 113. On 31 December 2013, there were 239,705,096 ordinary shares of 10 pence each in issue. No shares were issued during the year. 9,719,991 ordinary shares, with a nominal value of £971,999 representing 3.9% of the Company's called up share capital, were bought back and cancelled during 2013. The total consideration paid under the buyback programme, excluding costs, was £59,582,861. The ordinary shares can be held in certificated or uncertificated form. They are listed on the London Stock Exchange. The Company has a secondary listing on the Warsaw Stock Exchange.

The full rights and obligations attached to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in the Company's Articles of Association, a copy of which can be viewed on the Company's website or obtained by writing to the Company Secretary or from Companies House in the UK.

A summary of those rights and obligations can be found below.

- The holders of ordinary shares are entitled to receive the Company's Annual Report and Financial Statements, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.
- The directors are responsible for the management of the Company and may exercise all the powers of the Company, subject to the provisions of the relevant statutes and the Company's Articles of Association. For example, the Articles of Association contain specific provisions and restrictions regarding the Company's powers to borrow money; provisions relating to the appointment of directors, subject to subsequent shareholder approval; delegation of powers to a director or committees; and, subject to certain exceptions, a director shall not vote on or be counted in a quorum in relation to any resolution of the Board in respect of any contract in which he/she has an interest which he/she knows is material.
- Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force from time to time.
- There are no restrictions on voting rights except as set out in the Articles of Association (in circumstances where the shareholder has not complied with a statutory notice or paid up what is due on the shares).
- There are no restrictions on the transfer (including requirements for prior approval of any transfers) or limitations on the holding of ordinary shares subject to the fact that the Board may refuse to register the transfer of:
  - a partly-paid share;
  - an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 2001; and
  - a certificated share if a duly executed transfer is not provided together with any necessary document of authority.
- There are no known arrangements under which financial rights are held by a person other than the holder of the shares.

Authority to purchase shares

At the 2013 AGM the Company received shareholder authority to buy back up to 24,942,508 of its own shares until the earlier of the conclusion of the next AGM and 25 July 2014. Any ordinary shares so purchased could be cancelled or held in treasury. This authority was exercised in 2013 to the extent described above. A further authority for the Company to purchase its own shares will be sought at the 2014 AGM.

Authority to allot shares

As at 31 December 2013, the directors had authority to allot further securities up to an aggregate nominal amount of £8,300,000 and, broadly, up to a further £8,300,000 for a rights issue. Further authorities will be sought at the forthcoming AGM.

Interests in voting rights

As at 31 December 2013, the Company had been notified, pursuant to the Disclosure and Transparency Rules, of the following notifiable voting rights in its issued share capital.

Name	Voting rights	% of issued share capital[1]	Nature of holding
Standard Life Investments Ltd	33,860,265	14.13	Direct/Indirect
Franklin Templeton Investments Ltd	12,062,651	5.01	Indirect
Marathon Asset Management LLP	12,841,168	5.01	Indirect
FMR LLC	12,625,113	4.97	Indirect
FIL Limited	12,711,680	4.94	Indirect
Norges Bank	12,329,170	4.94	Direct
Old Mutual Asset Managers (UK) Ltd	12,547,167	4.88	Direct/Indirect
Schroders plc	12,287,572	4.77	Indirect
BlackRock, Inc.	11,670,102	4.54	Indirect
Investec Asset Management Ltd	8,995,482	3.50	Indirect
Oppenheimer Funds Inc/Baring Asset Management Limited	7,769,836	3.02	Indirect
Legal & General Group Plc	7,713,256	3.00	Direct

1 Based on the Company's issued share capital at notification.

The holdings set out in the table above relate only to those institutions which have notified the Company of an interest in the issued share capital.

Between 1 January and 20 February 2014, the Company did not receive any further notifications.

Directors' interests

Details of directors' interests are given on page 75 of the Directors' Remuneration Report and details of the award of nil-cost and other options can be found on pages 76 to 77. No director has notified the Company of an interest in any other shares, transactions or arrangements which requires disclosure.

Dividends

Details of the 2013 interim dividend declared by the Board and the proposed final dividend for 2013 payable in 2014 can be found on page 115.

Share incentives

Employee Benefit Trust

The Company operates an employee trust with an independent trustee, Capita Trustees Limited, to hold shares pending employees becoming entitled to them under the Company's share incentive plans. On 31 December 2013, the trustee held 2,248,187 shares in the Company. The trust waives its dividend entitlement and abstains from voting the shares at general meetings. Shares to be acquired through the Company's share plans rank pari passu with the shares in issue and have no special rights.

Equity incentive schemes

The Company currently operates four equity incentive schemes. Details of individual grants to directors made in 2013 are set out in the Directors' Remuneration Report on pages 72 and 73. The schemes are as follows:

Scheme	Abbreviated name	Eligible participants
The International Personal Finance plc Approved Company Share Option Plan	CSOP	Executive directors and senior managers
The International Personal Finance plc Deferred Share Plan	Deferred Share Plan	Executive directors and senior managers
The International Personal Finance plc Performance Share Plan	Performance Share Plan	Executive directors and senior managers
The International Personal Finance plc Employee Savings-Related Share Option Scheme	SAYE Scheme	Executive directors and UK employees

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Details of awards made in 2013 are as follows:

Scheme	Date of grant	Number of shares	Exercise price (if any)	Normal exercise/vesting date
CSOP	08 Mar 2013	37,926	474p	08 Mar 2016 – 07 Mar 2023[1]
CSOP	01 Aug 2013	14,148	636p	01 Aug 2016 – 31 Jul 2023[1]
Deferred Share Plan	08 Apr 2013	492,731	–	8 Apr 2016 – 07 Apr 2023
Performance Share Plan	08 Mar 2013	24,213	–	08 Mar 2016 – 07 Mar 2023[1]
Performance Share Plan	01 Aug 2013	926,909	–	01 Aug 2016 – 31 Jul 2023[1]
Performance Share Plan	02 Sept 2013	19,789	–	02 Sept 2016 – 01 Sept 2023[1]
SAYE Scheme	03 Apr 2013	38,128	388p	01 Jun 2016 – 30 Nov 2018[2]
SAYE Scheme	28 Aug 2013	30,714	509p	01 Nov 2016 – 30 Apr 2019[2]

Details of outstanding awards are as follows:

Scheme	Awards outstanding at 31 December 2012	Awards lapsed in 2013	Awards exercised/vested in 2013	Awards outstanding at 31 December 2013	Exercise price (if any)	Normal exercise/vesting date	Awards exercised/vested from 1 January to 20 February 2014
CSOP	705,541	(92,276)	(183,510)	481,829	208p – 636p	23 Jul 2013 – 31 Jul 2023[1]	–
Deferred Share Plan	1,240,360	(22,139)	–	1,710,952	–	24 Mar 2014 – 7 Apr 2023	–
Performance Share Plan	5,406,411	(775,038)	(638,148)	4,964,136	–	23 Jul 2013 – 1 Sept 2023[1]	6,352
SAYE Scheme	486,748	(74,629)	(74,721)	406,240	112p – 509p	01 Jun 2011 – 30 Apr 2020[2]	–

1 Half of the awards that vest are not released for a further year.

2 Exercise dates vary depending on whether the employee chooses a three, five or seven-year savings contract.

Investor engagement

The executive directors meet with institutional shareholders on a regular basis. The Chairman and Senior Independent Director also meet with shareholders from time to time. The Chairman is responsible for ensuring that appropriate channels of communication are established between the executive directors and shareholders and for ensuring that the views of shareholders are made known to the entire Board. The Board receives regular updates on investor relations.

The Board seeks to present the Company's position and prospects clearly. The Annual Report and Financial Statements, circulars and announcements made by the Company to the London Stock Exchange and the Warsaw Stock Exchange are posted on the Company's website (www.ipfin.co.uk).

Shareholders, whatever the size of their shareholding, are able to express their views via email or telephone with the Investor Relations Manager.

The Company gives at least 20 working days' notice of the AGM. Its policy is that the Chairman of each of the Board Committees will be available to answer questions from shareholders and there is an opportunity for shareholders to ask questions on each resolution proposed. Details of proxy votes are made available to shareholders and other interested parties by means of an announcement to the London Stock Exchange, the Warsaw Stock Exchange and on the Company's website.

Annual General Meeting

Shareholders are invited each year to the AGM, which will be held at 10.30am on Wednesday 30 April 2014 at International Personal Finance plc, Number Three, Leeds City Office Park, Meadow Lane, Leeds LS11 5BD. The notice of meeting, together with an explanation of the items of business, will be contained in the Chairman's letter to shareholders to be dated 19 March 2014.

Other external stakeholders

Community investment and donations

While the total value of our community investment contribution across the group has declined to £766,722 in 2013 (2012: £891,000), the number of volunteering hours has increased from 18,000 to 21,500 hours, therefore enhancing our direct impact on the communities in which we operate and mobilising 5,900 of our employees into effective community activities.

No political donations were made.

Supplier policy statement

The Company agrees terms and conditions for its business transactions with suppliers and payment is made in accordance with these, subject to the terms and conditions being met by the supplier. The Company acts as a holding company and had no material trade creditors at 31 December 2013. The average number of days' credit taken by the Group during the year was 17 days (2012: 17 days).

Agreements on change of control

The Company does not have any agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover.

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid, apart from:

- its bank facility agreements, which provide for a negotiation period following a change of control of the Company and the ability of a lender to cancel its commitment and for outstanding amounts to become due and payable;
- its Euro Medium Term Note[1] programme, which entitles any holder of a Note to require the Company to redeem such holder's Notes if there is a change of control of the Company and, following such change of control, the Notes are downgraded;
- its Polish Medium Term Note[2] programme, which entitles any holder of a Note to require the issuer to redeem such holder's Notes if there is a change of control of the Company and following such change of control the Euro Medium Term Notes are then downgraded (or if no such Notes are then outstanding, in certain other circumstances); and
- provisions in the Company's share incentive plans may cause awards granted to directors and employees to vest on a takeover.

1 The Euro Medium Term Note programme was established in 2010. The following Notes (listed on the London Stock Exchange) have been issued under the programme: Euro 225 million Notes issued in August 2010 with a five-year term and an 11.5% coupon; Romanian lei 36.5 million issued in February 2011 with a three-year term and a 12.0% coupon; Czech crown 100 million issued in July 2012 with a four-year term and a 9.0% coupon; Czech crown 280 million issued in July 2012 with a three-year term and an 8.5% coupon; Hungarian forint 4 billion issued in January 2013 with a five-year term and an 11.0% coupon; sterling 101.5 million issued in May 2013 and November 2013 with a seven-year term and a 6.125% coupon; Romanian Lei 60.5 million issued in October 2013 with a three-year term and an 8.1% coupon and Czech crown 250 million with a five-year term and a 5.25% coupon. In October 2013, 7 million Romanian lei Notes, which were issued in February 2011, were repurchased.

2 Under the Polish Medium Term Note programme a subsidiary company, IPF Investments Polska Sp. z o.o., issued 200 million Polish zloty Notes which are listed on the Warsaw Stock Exchange; they mature on 30 June 2015 and the coupon is a floating rate of six-month WIBOR plus a margin of 750 basis points.

Key contracts and other arrangements

This information is given pursuant to Section 417(5)(c) of the Companies Act 2006. The trading subsidiaries have entered into contracts with their agents, who are self-employed. The exception to this is Hungary where agents are employed for regulatory reasons. Agent agreements govern the relationship and the agents are remunerated primarily for repayments collected.

Certain Group companies have entered into agreements with Fujitsu Services Limited, Mastek UK Limited, GTS Energis Sp. z o.o., Metro Net S.A.P.I. and HCL Technologies Limited in relation to IT services provided to the Group.

The Group's Hungarian subsidiary operates its credit granting activities under licence from the National Bank of Hungary. The Group's Romanian subsidiary is monitored by the National Bank of Romania ('NBR') in its capacity as monitoring and supervising authority. It is licensed by the NBR and recorded in the General Registry of Non-Banking Financial Institutions. The Group's Bulgarian business is licensed as a non-banking financial institution by the National Bank of Bulgaria. The Group's operation in Lithuania does not require a licence but is registered on the Public Register of Consumer Credit Providers.

Whistleblowing

We have a whistleblowing telephone hotline service operating in all of our markets. This allows employees to raise issues of concern in relation to dishonesty or malpractice on a confidential basis. Reports are received on any matters raised through these services and the Company monitors their use throughout the Group.

Report on environmental, social and governance ('ESG') matters

The Board takes regular account of the significance of ESG matters to the Group and has identified and assessed the significance of ESG risks to the Company's short and long-term value as part of the risk management process. It recognises that a proactive programme of reputation management through a range of progressive, responsible business initiatives adds to the sustainable long-term value of the Company. Responsibility for this area rests with the Chief Executive Officer who chairs the Reputation and Regulation Committee which sets guidance, provides direction and oversees policies and progress in ESG matters.

Key ESG issues that impact our stakeholders are: public perception and ensuring work with communities is relevant; social and financial exclusion; health and safety; business ethics; and attracting and retaining skilled and well-motivated people.

Corporate affairs activity, health and safety and people management issues were all discussed at Board meetings in 2013. The Board formally reviews a sustainability report at least once a year.

There is a range of appropriate corporate standards, policies and governance structures covering all operations.

The Group is an equal opportunity employer. It is the Group's policy that no job applicant, member of staff or agent will receive less favourable treatment because of race, colour, nationality, ethnic or other national origin, gender, sexual orientation, marital status, age, disability or religion. The aim of this policy is to ensure recruitment and promotion are based purely on merit.

In 2013 the Group initiated a major business ethics training programme that will be rolled out across all employees by 2015. This aims to ensure all employees are fully aware of how we want to achieve our targets as well as what those targets are.

The Group views the health and safety of its employees, agents and other people who may be affected by its activities as a key strategic priority. The Group's arrangements for safety have been independently assessed against OHSAS 18001 and all European markets, including Group head office, certified as compliant. The certification process for Mexico will be undertaken during Q1 2014. The framework is overseen by the Group Loss Prevention Committee which reports annually to the Board by means of a written report. Each subsidiary board is responsible for the implementation of its own health and safety policy and health and safety is considered regularly at Group board meetings.

Community investment activity is focused on the needs of the communities we serve and uses the London Benchmarking Group methodology. The environmental management system was subject to an internal audit against the requirements of ISO 14001 and all data is verified externally.

When setting incentives, the Remuneration Committee takes account of all implications, including the need to avoid inadvertently motivating inappropriate behaviour, and the Head of Compliance and Risk reviews incentives from a risk perspective.

The executive directors are given relevant objectives relating to ESG issues for the purposes of the annual bonus scheme. Details of the bonus scheme are set out in the bonus section of the statement of the Company's policy on directors' remuneration in the Directors' Remuneration Report.

Full information on specific ESG matters, and how these are managed, can be found in the Sustainability section of the Company's website (www.ipfin.co.uk).

Carbon reporting

We have reported on all of the carbon emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. Our emissions data has been calculated in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, and we have used emissions factors from the UK Government's Greenhouse Gas Conversion Factor Repository. The emissions data covers our operations in the UK, Poland, Czech Republic, Hungary, Slovakia, Mexico and Romania. These sources fall within our consolidated Financial Statements. We have not included data from our newest markets in Bulgaria or Lithuania as data is not yet collected at these locations. We extrapolated data for the countries where available data is incomplete. This year, for the first time, we have made a conscious decision to include our Hungarian agents in our carbon emissions reporting, as they are our employees.

In 2013 our GHG emissions for scope 1, 2 and material scope 3, increased by 14.6%. Excluding Hungarian agents, they increased by just 1.4% compared with our 2012 GHG data.

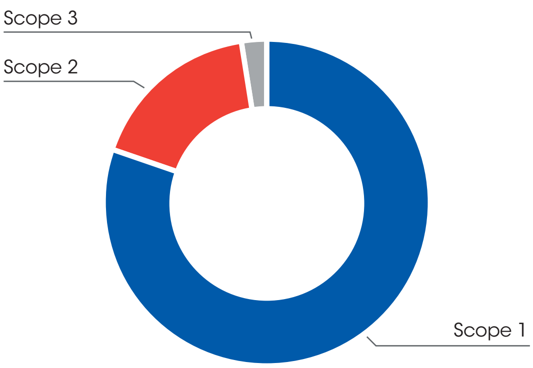
As many agents use their cars to visits customers, including Hungarian agents into our methodology has had the largest impact on car travel emission, which increased by 20.8% on the prior year. Excluding Hungarian agents, car travel emissions increased by just 3.1%. This increase should be seen in the context of the 7% increase in customer numbers reported in 2013. Nevertheless, we are not pleased to see our increase in carbon emissions for car travel and to address this issue we have installed GPS vehicle tracking for company cars in Hungary which has resulted in a 15% reduction in business miles. Subject to further trials, we will consider rolling out this type of technology across the Group.

Gas emissions reduced by 40% year-on-year, however they are not material in terms of overall Group emissions.

Purchased electricity emissions have increased in line with growth in the business.

		Tonnes CO_2e		
Carbon emission sources	Travel and utilities	2012	**2013**	% change
Scope 1	Gas	1,044	**624**	(40.3)
	Business travel by car	20,089	**24,267**	20.8
Scope 2	Purchased electricity	5,006	**5,280**	5.5
Scope 3	Business travel by plane	841	**759**	(9.7)
	Business travel by rail	18	**13**	(26.8)
Total scope 1& 2		26,139	**30,171**	15.4
Total Scope 1, 2 & material scope 3		26,998	**30,943**	14.6
	CO_2e Emissions by customer	0.011	**0.013**	13.6

Total CO_2 Emissions 2013 (Tonnes CO_2e)



Update on regulatory issues

An update on the current regulatory issues can be found on page 19.

Statement of the Directors in respect of the Annual Report and Accounts

As required by the Code, the directors confirm that they consider that this Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Board came to this view following a rigorous review process throughout the production schedule. The statements are drafted by appropriate members of the reporting and leadership teams and co-ordinated by the Investor Relations Manager to ensure consistency. A series of planned reviews are undertaken by the reporting team, leadership team and directors. In advance of final consideration by the Board, it is reviewed by the Audit and Risk Committee.

Responsibilities and disclosure

Annual Report and Financial Statements

The Company presents its own Annual Report and its Consolidated Annual Report as a single Annual Report.

Directors' responsibilities in relation to the Financial Statements

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the International Accounting Standard ('IAS') Regulation and have also chosen to prepare the Parent Company Financial Statements under IFRSs as adopted by the European Union. Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, IAS 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement

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

It is given by each of the directors: namely, Christopher Rodrigues, Chairman; Gerard Ryan, Chief Executive Officer; Adrian Gardner, Chief Financial Officer; David Broadbent, Chief Commercial Officer; Tony Hales, non-executive director; Edyta Kurek, non-executive director; Richard Moat, non-executive director; Nicholas Page, non-executive director and Cathryn Riley, non-executive director.

To the best of each director's knowledge:

a) the Financial Statements, 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;

b) the Strategic 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; and

c) the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Disclosure of information to the auditor

In the case of each person who is a director at the date of this report, it is confirmed that, so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and he/she has taken all the steps that ought to have been taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Ben Murphy
Company Secretary

26 February 2014

Tony Hales
Chairman of the Remuneration Committee

Dear fellow shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2013, which has been prepared by the Remuneration Committee and approved by the Board.

With effect from 1 October 2013, changes to the structure and contents of Directors' Remuneration Reports ('DRRs') have been introduced. Following on from the Company's 2012 DRR, when the Committee decided to adopt the majority of the proposed changes early, it is my hope that you find this a clear and comprehensive report. We will continue to monitor emerging practice in this area as well as guidance from investor representative groups.

Remuneration for 2013

Our remuneration structure is intended to strike an appropriate balance between fixed and variable components, which provide a clear link between pay and our key strategic priorities. Executive director and senior management rewards have a substantial performance related element, with targets incentivising the delivery of the Company's strategy over the short and long term, balancing the interests of employees and long-term shareholders. For this population, a significant proportion of any bonus payment is by way of deferred shares and clawback rights exist.

Indeed, we seek to align shareholder and employee interests through our remuneration policy throughout the whole organisation. We recently consulted with a number of our major shareholders and shareholder representative bodies in order to discuss the proposed introduction of a Groupwide share scheme. We are very excited about this scheme and will be seeking approval for its introduction at our AGM in April. Employees will be able to invest up to £200 in IPF shares - subject to continued employment, in three years' time, they will receive four matching shares for every share purchased.

Details of the remuneration decisions for 2013 are set out in the directors' annual remuneration report below. In summary, for the year ended 31 December 2013, profit before tax and exceptional items was £118.1 million.

The Group made good progress against its strategic objectives including expanding its footprint into new markets and introducing new products. This resulted in a total 100 % of the Chief Executive's bonus (100% of salary) and 100% of the Finance Director's bonus (100% of salary) paying out for 2013.

For the first time since demerger, a performance share award has vested, with the award granted in July 2010 vesting in full. The awards were based on absolute TSR performance and I'm pleased to say that TSR growth of 150% was achieved over the performance period. David Broadbent exercised 7,208 options under the International Personal Finance plc Approved Company Share Option Plan and 58,367 options under the International Personal Finance plc Performance Share Plan.

Key decisions for 2014

The Committee has set the CEO's base salary at £500,000 with effect from 1 April 2014, an increase of 7.9%. This increase reflects both his development and strong performance in the role since appointment. The Committee has also determined that the base salary of David Broadbent will increase to £328,879 with effect from the same date, an increase of 3%, which is in line with the anticipated award to UK employees.

In addition, we are delighted that Adrian Gardner joined as Chief Financial Officer on 2 January 2014. The Committee approved Adrian's remuneration package and set his base salary at £319,000.

There will be no substantial changes in remuneration policy for 2014. All maximum opportunities will remain the same in 2014 as in 2013. Whereas in previous years, awards under the PSP and CSOP have been made following announcement of the half yearly results, awards will be made following the full year results with performance periods aligned to financial years.

Remuneration disclosure

This report complies with the requirements of the Large and Medium-sized Companies and Groups Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (September 2012) and the Listing Rules.

The report is in two sections:

- The directors' remuneration policy report (pages 62 to 69). This section contains details of the remuneration policy that we propose will apply from the 2014 AGM, which will be held on 30 April 2014, subject to obtaining shareholder approval at the AGM; and
- The directors' annual remuneration report (pages 70 to 78). This section sets out details of how our remuneration policy was implemented for the year ended 31 December 2013 and how we intend for the policy to apply for the year ended 31 December 2014.

At the AGM in April 2014:

- The directors' remuneration policy report will be put to a binding shareholder vote; and
- The directors' annual remuneration report will be put to an advisory shareholder vote.

Tony Hales

Tony Hales
Chairman of the Remuneration Committee

DIRECTORS' REMUNERATION POLICY REPORT

Remuneration policy tables

The tables below set out the remuneration policy that we intend to apply, subject to shareholder approval, from 30 April 2014 (the date of the AGM).

Executive directors

The remuneration of executive directors is determined by the Remuneration Committee, taking into account Group performance, individual performance and competitive market practice as well as the pay and conditions of the Group's employees and the importance attached to the retention and attraction of high-calibre individuals. The total annual remuneration of executive directors comprises base salary, a cash bonus and deferred bonus shares, shares granted under long-term incentive plans, pension provisions and other benefits.

Summary of remuneration policy for executive directors

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Base salary			
To attract and retain talent capable of delivering the Group's strategy. Rewards executives for the performance of their role.	Base salary is paid in 12 equal monthly instalments during the year. Salaries are normally reviewed annually and any changes are effective generally from 1 April in the financial year. Salary levels are set taking into account role, experience, responsibility and performance, both of the individual and the Company, and also taking into account market conditions and the salaries for comparable roles in similar companies. The base salaries with effect from 1 April 2014 will be: • Gerard Ryan £500,000 • Adrian Gardner £319,000 • David Broadbent £328,879	Normally salary increases take into account increases awarded across the Group and are normally in line with increases awarded to UK employees. By exception, higher awards may be made at the Committee's discretion to reflect individual circumstances. For example: • changes to role which increase scope and/or responsibility; • development and performance in the role; and • responding to competitive market pressures. There is no prescribed maximum increase.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.
Pension			
To provide retirement funding.	The Company operates a stakeholder scheme; at the discretion of the Committee, this may be paid as a cash allowance. The Company has closed its defined benefit scheme to new members. David Broadbent is a deferred member.	Company contribution is 20% of base salary.	None.

Corporate Governance

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Benefits			
To provide market-competitive benefits that support the executive directors to undertake their role.	The Company pays the cost of providing the benefits on a monthly, annual or one-off basis. All benefits are non-pensionable.	The standard benefit package includes: • life assurance of 4x salary; • car allowance; • long-term disability cover; • private medical cover for executive director and immediate family; and • annual medical. Additional benefits may also be provided in certain circumstances which may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Committee.	None.
Annual bonus			
To motivate and reward sustainable profit growth and the achievement of specific personal objectives linked to the Company's strategy. An element of compulsory deferral to provide a link to the creation of sustainable long-term value creation.	Measures and targets are set annually and pay-out levels are determined by the Remuneration Committee after the year-end based on performance against those targets. The Remuneration Committee may, in exceptional circumstances, amend the bonus pay-out should this not, in the view of the Committee, reflect overall business performance or individual contribution. Two-thirds of the total bonus amount is deferred for three years in Company shares. The remaining third is paid in cash. Payments are made around three months after the end of the financial year end to which they relate. Deferred shares normally vest after three years and may be adjusted to reflect the impact of any variation of share capital, in accordance with the plan rules. On the vesting of awards, executive directors receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the vesting of the award on the number of shares which have vested. There are provisions for clawback in the event of a restatement or material misjudgement of performance.	Maximum opportunity: 100% of base salary. On target opportunity: 80% of base salary. Threshold opportunity: 20% of base salary.	Performance is measured over the financial year. Performance is assessed using the following criteria: 50% is based on achievement of financial measures; and 50% is based on achievement of personal objectives linked to achievement of the Company strategy. The award for achievement of personal objectives is conditional upon achievement of the financial measures (i.e. the maximum achievable on the personal objectives is equal to the amount achieved under the financial measures element).

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Deferred Share Plan ('DSP') Share Matching Scheme			
To strengthen the link to the creation of sustainable long-term value creation provided under the deferred element of the annual bonus.	Deferred bonus share awards are eligible to receive matching shares on a one-for-one basis. The Remuneration Committee has discretion to decide whether and to what extent targets have been met, and if an exceptional event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them. Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules. On the vesting of awards, executive directors receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the vesting of the award on the number of shares which have vested. The DSP has provision for clawback in the event of restatement of the Company's Financial Statements or a material misjudgement of performance.	Vesting is dependent on service and performance conditions. Maximum opportunity: one-for-one match on awarded shares (two-thirds of bonus earned). This is equivalent to up to 67% of salary for executive directors. 25% of the award vests at threshold performance.	Matching shares vest on the same basis as for the PSP and CSOP.

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Long-term Incentive Plans ('LTIP')			
Performance Share Plan ('PSP') and Approved Company Share Option Plan (HMRC approved) ('CSOP')			
To motivate and reward longer-term performance, and support shareholder alignment through incentivising absolute shareholder value-creation.	Annual grant of awards, part of which are under the CSOP, generally made as nil-cost options over a specific number of shares. The Remuneration Committee has discretion to decide whether and to what extent targets have been met, and if an exceptional event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them. Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules. On vesting, 50% of shares that vest are available for exercise immediately and 50% are available 12 months later. On exercise of a nil-cost option following the first anniversary of the end of the vesting period, executive directors receive an amount in cash equal to the dividends paid or payable in the 12 month period following vesting of the award on the number of shares which have vested. The PSP has provisions for clawback in the event of restatement of the Company's Financial Statements or a material misjudgement of performance. An allocation of awards will be made on or after 27 February 2014 for the performance period January 2014 to December 2016.	In normal circumstances, annual award levels for executive directors are 125% of base salary at the time of grant. The rules of the plan permit annual individual grants of up to 150% of base salary. The Committee retains the discretion to make awards up to the individual limit under the plan and would expect to consult with significant investors if awards were to be made routinely above current levels, as the Committee did prior to increasing award levels for 2013. Vesting is dependent on service and performance conditions. 25% of the award vests at threshold performance.	Service and performance conditions must be met over a three-year period. Performance is assessed against three independently measured metrics which are equally weighted: • 1/3 absolute TSR performance; • 1/3 cumulative EPS growth; and • 1/3 growth in revenue less impairment. The targets are set by the Committee. Details of the targets for awards granted in 2013 are set out in the Directors' Annual Remuneration Report. Targets for future years will be set out in the Directors' Annual Remuneration Report of the relevant year. A six-month averaging period is used for calculating TSR.
All-Employee Share Plan ('SAYE')			
Provides an opportunity for executive directors to voluntarily invest in the Company.	UK-based executive directors are entitled to participate in a UK tax approved all-employee plan, The International Personal Finance plc Employee Savings-Related Share Option Scheme, under which they make monthly savings over a period of three or five years linked to the grant of an option over Company shares with an option price which can be at a discount of up to 20% of the market value of shares on grant. Options may be adjusted to reflect the impact of any variation of share capital.	Participation limits are those set by the UK tax authorities from time to time. Currently this is £250 per month, but will increase to £500 per month from April 2014.	None.

How the element supports our strategic objectives	Operation of the element	Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Shareholding requirement			
To support shareholder alignment by encouraging our directors to align with shareholders.	Executive directors are expected to acquire a beneficial shareholding over time. Shares which have vested unconditionally under the Company's equity schemes will be taken into account with effect from the date of vesting (but not before). 50% of all share awards vesting under any of the Company's equity incentive schemes (net of exercise costs, income tax and social security contributions) must be retained until the shareholding requirement is met.	The current shareholding requirement for executive directors is 200% of base salary.	
Executive directors serving as non-executive directors			
To encourage self-development and allow for the introduction of external insight and practice.	With the consent of the Board, executive directors may hold one non-executive directorship in an individual capacity and will retain any fees earned.		
Retention arrangements			
To allow the Company to retain top executive talent.	The Committee seeks to reward executive directors within its agreed remuneration framework or broad policy. However, in exceptional circumstances the Committee may agree an additional ad hoc incentive in order to respond to the potential loss of executive talent.		
Provisions of previous policy that will continue to apply – LTIP Awards made in 2011 and 2012			
To motivate and reward longer-term performance, and support shareholder alignment through incentivising absolute shareholder value-creation.	The outstanding awards under the LTIP will continue to form part of the remuneration policy until vesting.		Absolute TSR growth measure only, subject to the Committee being satisfied that the Company's absolute TSR performance is a fair reflection of the performance.

Corporate Governance

Non-executive directors

The Board reviews non-executive directors' fees periodically in the light of fees payable in comparable companies and the importance attached to the retention and attraction of high-calibre individuals as non-executive directors. Non-executive directors receive no other benefits and take no part in any discussion or decision concerning their own fees.

The Remuneration Committee (under the chairmanship of the Senior Independent Director) reviews the Chairman's fees.

Fees were last increased on 1 October 2013 for the Chairman and 1 January 2014 for the non-executive directors.

Summary of remuneration policy for non-executive directors

Element	Purpose	Operation
Fees	To attract and retain a high-calibre Chairman and non-executive directors by offering market competitive fees.	Fees are paid on a per annum basis and are not varied for the number of days worked. The level of the Chairman's fee is reviewed periodically by the Committee (in the absence of the Chairman) and the executive directors. The Chairman and executive directors review non-executive directors' fees periodically in the light of fees payable in comparable companies or to reflect changes in scope of role and/or responsibility. The Senior Independent Director and chairman of the Audit and Risk Committee are paid an additional fee to reflect their extra responsibilities. Any non-executive director who performs services which, in the opinion of the Board, go beyond the ordinary duties of a director may be paid such additional remuneration as the Board may authorise. Fees are paid on a quarterly basis.
Shareholding requirement	To support shareholder alignment by encouraging our directors to align with shareholders.	Non-executive directors are expected to acquire a beneficial shareholding equivalent to 100% of their director's fee within three years of appointment.

Notes to the policy table

Performance measures and targets

The Committee selects annual bonus performance conditions that are central to the achievement of the Company's key strategic initiatives for the year and reflect both financial and non-financial objectives. To balance this, the performance conditions for the LTIP are linked to long-term value creation: TSR aligns with the Company's focus on shareholder value creation; EPS provides strong line-of-sight for executives and supports the Company's long-term strategy. Revenue less impairment supports the Company's focus on sustainable growth. The performance targets are determined annually by the Committee and are set typically at a level that is stretching and achievable.

The Board is of the opinion that the performance measures and targets for the annual bonus are commercially sensitive in respect of the Company and that it would be detrimental to the interests of the Company to disclose them during the financial year. This is particularly so because the majority of the Company's competitors are unlisted.

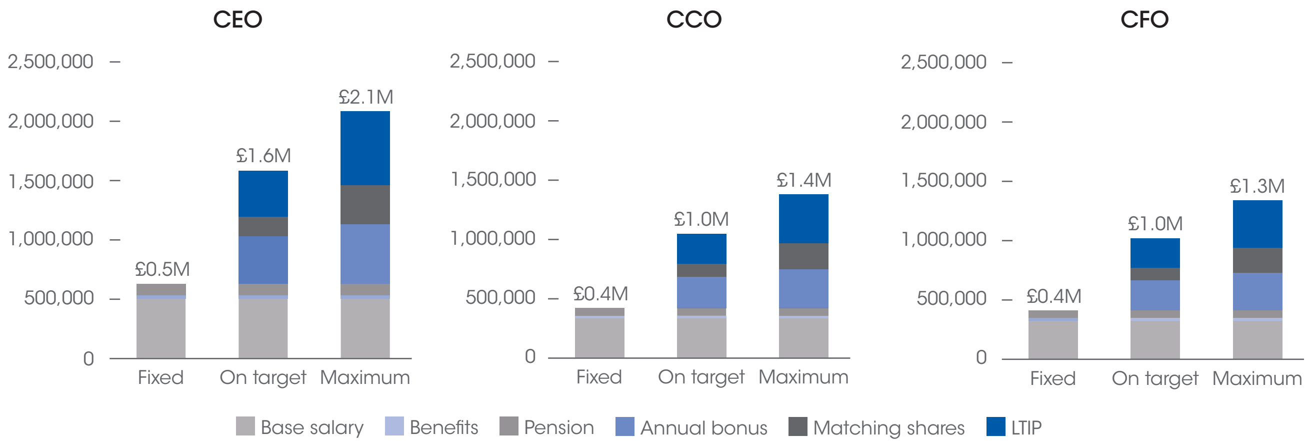
Shareholding requirement

Since the last AGM, one shareholder has adopted a public policy which seeks a minimum holding period of five years between the date of grant of any shares and the sale of those shares. Given the Company's substantial shareholding requirements, the Committee is not currently persuaded that such a rule is necessary for the Company. It will, however, continue to follow discussions on this point and keep the matter under review.

Total remuneration opportunity

The tables below set out an illustration of the remuneration policy for 2014 in line with the remuneration policy above and include base salary, pension, benefits and incentives.

The tables provide an illustration of the proportion of total remuneration made up of each component of the remuneration policy and the value of each component. Benefits are calculated as per the single figure of remuneration. Three scenarios have been illustrated for each executive director: 'Fixed', 'On target' and 'Maximum'.



The charts are indicative, as share price movement and dividend accrual have been excluded. Assumptions made for each scenario are as follows:

- Fixed: fixed remuneration only (i.e. latest known salary, benefits and pension).
- On target: fixed remuneration plus on target annual bonus (80%) plus midpoint vesting (62.5%) of awards under the PSP (based on threshold of 25% and maximum 100%) and Share Matching Scheme.
- Maximum: fixed remuneration plus 100% annual bonus plus 100% vesting of PSP and Share Matching Scheme.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract appropriate candidates to the role. Starting salary will be set in accordance with the approved remuneration policy, based on a combination of market information, internal relativities and individual experience. Thereafter, salary progression will depend on the initial agreed base salary and the normal review process.

The maximum level and structure of ongoing variable remuneration will be in accordance with the approved remuneration policy detailed above, i.e. at an aggregate maximum of up to 317% of salary (100% annual bonus, 150% LTIP shares and 67% matching shares under the DSP). This limit does not include the value of any buyout arrangements.

For external appointments, it may be necessary to 'buy out' an individual's awards from a previous employer. The Company may offer additional cash and/or share-based elements when it considers these to be in the best interest of the Company. Such payments would take account of the remuneration relinquished and would reflect the delivery mechanism (i.e. cash, shares and/or options), time horizons and expected value (i.e. likelihood of meeting any existing performance criteria). Replacement share awards, if used, will be granted using existing share plans. Wherever possible, any new arrangements will be tied into the achievement of Group targets in either/both the annual performance bonus and long-term incentives.

As shares under the normal long-term incentive scheme will not be released for up to three years, some cash-based interim long-term arrangement may be provided, but the level will not be more than would otherwise have been paid. This may be used as part of the buy out of existing arrangements.

For internal appointments, any variable pay elements awarded in respect of the prior role may be allowed to pay out according to the terms of the scheme, adjusted as relevant to take account of the new appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

Director's service agreements

The Company has historically appointed executive directors on 12 month rolling contracts. Accordingly, Gerard Ryan and David Broadbent have service contracts terminable on this basis. The Company has recently changed its policy in relation to service agreements for newly appointed executive directors so that they are terminable upon six months' notice. Adrian Gardner was the first to be appointed on this basis. All non-executive directors are appointed for three years, subject to re-election by shareholders. The initial three-year period may be extended. The Company can terminate the appointment on three months' notice.

The Company's Articles of Association require that all directors retire from office if they have not retired at either of the preceding two AGMs. In any event, at this year's AGM, all directors will be standing for re-election in compliance with the UK Corporate Governance Code. Contracts are available for inspection at the Company's registered office. Contracts and service agreements are not reissued when base salaries or fees are changed. Pension arrangements for all of the executive directors have also been amended, as described in the policy table, without reissuing their contracts.

Loss of office payments

The Company's policy is to limit severance payments on termination to pre-established contractual arrangements. In the event that the employment of an executive director is terminated, any compensation payable will be determined having regard to the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans.

Under normal circumstances, good leavers who do not serve notice are eligible to receive termination payments in lieu of notice based on base salary and contractual benefits.

The Company normally expects executive directors to mitigate their loss upon departure. In any specific case that may arise, the Committee will consider carefully any compensatory payments having regard to performance, age, service, health or other circumstances that may be relevant.

In the event an executive director leaves for reasons of death, injury, disability, change of control of the Company, or any other reason which the Committee in its absolute discretion permits, any outstanding DSP matching shares and PSP awards will normally vest at the end of the performance period and be pro-rated for time. Performance conditions would apply. However, the Committee has the discretion to allow the award to vest on cessation of employment (on a pro-rata basis) if, in the Committee's view, the performance conditions are met at that point on a pro-rata basis. The Committee may vest the award on any other basis if it believes there are exceptional circumstances which warrant that. For example, it can be in the interest of the Company for the Board to proactively organise succession and manage an executive director's departure. When determining the treatment of outstanding awards in those cases, the Committee will take into account the executive's level of performance and contribution to the transition.

For all other leavers, outstanding PSP awards and DSP matching shares will lapse. The Committee retains discretion to alter these provisions (as permitted by the relevant Plan Rules) on a case-by-case basis following a review of circumstances and to ensure fairness for both shareholders and participants.

Differences in remuneration policy for all employees

All employees of the Group are entitled to base salary and benefits appropriate to the market in which they are employed. The maximum opportunity available is based on the seniority and responsibility of the role.

LTIP awards are only available to senior management and directors.

Consideration of employment conditions elsewhere in the Company

In making remuneration decisions, the Committee also considers the general increases in base salaries taking place within the Group. While the Company does not consult directly with employees as part of the process of reviewing executive pay, the Committee does receive and take account of employee engagement results as part of their overall assessment of executive director performance.

Consideration of shareholder views

When determining remuneration, the Committee also takes into account the guidelines of investor bodies and shareholder views. The Committee considers these to be of great importance.

In November 2013, the Company consulted a number of its major shareholders and shareholder representative bodies in order to discuss the proposed introduction of a Groupwide share scheme. We received valuable feedback from a number of key shareholders and took this into account in finalising the proposals.

As outlined in the annual remuneration report, the Company received strong support from its shareholders with a 97.78% vote in favour of last year's Directors' Remuneration Report.

The Committee continues to be mindful of shareholder views when determining ongoing remuneration strategy and commits to undergoing shareholder consultation in advance of any significant changes to remuneration policy.

DIRECTORS' ANNUAL REMUNERATION REPORT

Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for directors for the financial years ended 31 December 2012 and 2013.

	Salary/fees £'000		Benefits £'000		Bonus[1] £'000		LTIP[2] £'000		Pension £'000		Compensation for early termination £'000		Total £'000	
Director	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Executive directors														
Gerard Ryan	**460**	432	**25**	25	**460**	346	**–**	–	**92**	86	**–**	–	**1,037**	889
David Broadbent	**317**	310	**23**	23	**317**	249	**394**	–	**62**	61	**–**	–	**1,113**	643
Non-executive directors														
Christopher Rodrigues	**178**	170	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**178**	170
Tony Hales	**70**	70	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**70**	70
Nicholas Page	**65**	65	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**65**	65
John Lorimer[3]	**21**	50	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**21**	50
Edyta Kurek	**50**	50	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50**	50
Richard Moat	**50**	25	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50**	25

1 Bonus payable in respect of the financial year including any deferred element at face value at date of award. Further information about how the level of 2013 award was determined is provided in the additional disclosures section below. As detailed in the 2012 Annual Report, Gerard Ryan's award was pro-rated to reflect time in role.

2 The 2013 LTIP value is based on the PSP award that vested in July 2013. Further information about the level of vesting is provided in the additional disclosures section below.

3 John Lorimer left the Board on 25 April 2013. In accordance with his Letter of Appointment, he received payment of his fee through to 31 May 2013.

Additional disclosures for single figure for total remuneration table

Base salary

Base salaries were increased by 3% from 1 April 2013; this reflected strong financial and individual performance and also the level of salary budget increases across the Group.

Benefits

The benefits provided to the executive directors included: private healthcare, life assurance, annual medical, long-term disability cover and a cash allowance in lieu of a company car.

Determination of 2013 annual bonus

The maximum award for both the CEO and Finance Director in 2013 was 100% of salary (80% of salary for on target performance and 20% of salary for threshold performance).

During 2013, a balanced scorecard approach was used for the annual bonus whereby 50% of the bonus was calculated on pre-tax profit and, subject always to a minimum profit threshold, the remaining 50% calculated against stretching personal performance objectives. The pre-tax profit targets were: threshold – £105.0 million; on target – £113.0 million; and maximum – £118.0 million. The personal performance objectives included the following: launching businesses in new markets; listing on the Warsaw Stock Exchange; launch of a UK retail bond; new product initiatives; development of a sales culture; and building employee engagement. The award for achievement of personal performance objectives is conditional upon achievement of the pre-tax profit element (i.e. the maximum achievable on the personal performance objectives is equal to the amount achieved under the pre-tax profit element).

Over the period, profit before tax and exceptional items was £118.1 million, which gave rise to maximum payment under the profit before tax target. The Committee also reviewed the performance of the CEO and Finance Director against their agreed personal objectives for 2013, and determined that they had been achieved in full.

After consideration, the Committee awarded bonuses to the executive directors in the amounts shown below for the year ended 31 December 2013:

	Financial objectives – achievement as a percentage of base salary	Individual objectives – achievement as a percentage of base salary	Cash bonus £000	DSP – face value of shares due to vest in 2017	Total value of 2013 annual bonus £000	Cash and DSP shares award – as a percentage of maximum bonus available
Gerard Ryan	50	50	153	307	460	100
David Broadbent	50	50	106	211	317	100

The Committee did not apply any discretion in relation to the bonus awards. The bonus was payable one-third in cash, and two-thirds in deferred shares which will vest at the end of a three-year period, subject to the director not being dismissed for misconduct. There are also provisions for clawback during the vesting period in the event of a restatement of the Company's Financial Statements or material misjudgement of performance.

Pension

The Company has two pension schemes, the International Personal Finance plc Pension Scheme ('the Pension Scheme') and the International Personal Finance Stakeholder Pension Scheme ('the Stakeholder Scheme'). New employees are eligible to join the Stakeholder Scheme. The rate of Company pension contribution for any executive director is 20% of base salary. At the discretion of the Remuneration Committee, this may be paid as a cash allowance.

The Company's contributions in respect of Gerard Ryan during 2013 amounted to £92,025, all of which was paid into pension arrangements.

David Broadbent was a member of the final salary section of the Pension Scheme until 1 April 2006 when he began to accrue benefits as a member of the cash balance section. He ceased to be a member of the cash balance section on 31 July 2008 and became a deferred member of the Pension Scheme. The Company's contributions in respect of David Broadbent during 2013 amounted to £61,770, of which £50,000 was paid into pension arrangements and £11,770 was paid as a cash allowance. Details of David Broadbent's entitlements under both sections of the Pension Scheme are as follows:

Final salary

	£
Accrued pension at 31 December 2013	14,418
Accrued pension at 31 December 2012	14,108
Increase in accrued pension during the year (net of inflation)	–
Director's contributions in 2013	–

Cash balance

	£
Accrued pension at 31 December 2013	102,786
Accrued pension at 31 December 2012	100,573
Increase in accrued pension during the year (net of inflation)	–
Director's contributions in 2013	–

David Broadbent was age 45 at the end of the year. He became a deferred member of the pension scheme on 1 August 2008.

Notes:

1. The change in accrued pension and accrued cash balance lump sum, net of inflation, during the year reflects that the relevant inflation benefit revaluation for the year uses CPI over the year to September 2012, which is 2.2%.
2. Normal retirement age is 65 for David Broadbent. Early retirement can be taken from age 55 and the accrued final salary pension will then be reduced to take account of its early payment.

LTIP

Awards vesting during 2013

PSP/CSOP

The LTIP amount included in the 2013 single total figure of remuneration is the PSP and CSOP nil-cost option award granted in 2010. Vesting was dependent on absolute TSR performance over three years from the date of grant ending on 22 July 2013. The performance achieved against the performance targets is shown below.

Performance condition	Threshold	Maximum	Achieved
Absolute TSR growth	30% TSR over 3 years 33% vests	60% TSR over 3 years 100% vests	150% TSR 100% vested

Based upon absolute TSR of 150%, 100% of the award vested when tested on 22 July 2013. The Committee was satisfied that the TSR growth was a fair reflection of performance. 50% of the vested award was released after the end of the performance period, with 50% deferred for an additional 12 months.

Awards granted during 2013

PSP

As disclosed in last year's Directors' Remuneration Report, the performance measures for PSP awards granted from 2013 were amended following a review of our remuneration policy and consultation with shareholders. The measures were changed such that absolute TSR is complemented with the key drivers of TSR (EPS and growth in revenue net of impairment) to provide a more rounded incentive for executive directors, whilst maintaining shareholder alignment.

Awards granted from 2013 will vest depending on performance against three equally weighted measures, measured over three years: one-third absolute TSR; one-third EPS growth; and one-third growth in net revenue net of impairment.

The performance targets applying to the award granted during the financial year are:

	Absolute TSR	Cumulative EPS growth	Growth in revenue less impairment
Weighting	1/3	1/3	1/3
Vested at threshold	25%	25%	25%
Threshold	30% over 3 years	6% p.a.[1]	5% p.a.
Stretch (100% vesting)	60% over 3 years	15% p.a.	12% p.a.

1 The targets were set by the Committee following shareholder consultation and based on data relating to broker forecasts, internal budgets and historical precedent achieved by the Company.

As outlined in the policy table, awards are made in shares and the number of shares is determined based on a percentage of base salary. The following table sets out details of awards of nil-cost options made during the year under the PSP:

			Amount vesting		
	Date of award	Face value	Threshold performance (% of face value)	Maximum performance (% of face value)	End of performance period
Gerard Ryan	1 August 2013	150% of salary	25%	100%	31 July 2016
David Broadbent	1 August 2013	125% of salary	25%	100%	31 July 2016

The face value was calculated using the share price the day before the day of grant of 636p.

The Remuneration Committee exercised discretion, in line with the remuneration policy and the rules of the plan, to approve a grant to Gerard Ryan of 150% of salary rather than the normal sized grant of 125% during 2013. In the view of the Committee, Gerard Ryan had performed exceptionally well since joining the Company and his last PSP award in March 2012. Rather than increase his salary, which in turn increases other elements of remuneration, the Committee determined to increase his performance-related remuneration. Accordingly, a PSP award equal to 150% of salary was made. This is intended as a one-off increase and will revert to 125% as the normal award for future years.

DSP

Awards were granted in respect of the deferred element of the annual bonus. The award shares are eligible for a match and the match is one-for-one. There are no performance conditions in respect of deferred shares granted in respect of the deferred element of the 2012 bonus scheme. The corresponding matching awards will vest only to the extent that the performance conditions are satisfied, being the same three measures as set out in the PSP section above. The following table sets out details of awards of nil-cost options made during the year under the DSP:

			Amount vesting		
	Date of award	Face value £'000	Threshold performance (% of face value)	Maximum performance (% of face value)	End of performance period
Gerard Ryan	8 April 2013	Deferred: 231 Matching: 231	25%	100%	7 April 2016
David Broadbent	8 April 2013	Deferred: 166 Matching: 166	25%	100%	7 April 2016

The face value was calculated using the share price the day before the day of grant of 422p.

Loss of office payments (audited information)

John Harnett ceased to be a director on 31 March 2012. During 2013, he received £156,693, being the balance of 12 months' pay in lieu of notice (salary and contractual benefits) paid monthly in instalments, pursuant to a compromise agreement made on 17 January 2012.

In addition, the awards over 14,416 shares granted to him under the CSOP and over 212,843 shares under the PSP in July 2010 were retained (on a pro-rata basis, as per the scheme rules for a good leaver) and vested in July 2013, having met their performance target in full. John also retained the award over 149,626 shares granted to him under the PSP in July 2011.

Half of the award under the CSOP may be exercised within a year of the performance condition being satisfied, with the other half exercisable within a year from the first anniversary of the date the award became exercisable. Half of the award under the PSP may be exercised within a year of the performance condition being satisfied, with the other half exercisable within a year of the anniversary of the end of the relevant performance condition.

Payments to past directors (audited information)

John Lorimer left the Board on 25 April 2013. In accordance with his Letter of Appointment, he received payment of his fee through to 31 May 2013. The payments made to John Lorimer are included in the single figure table.

Percentage change in CEO's remuneration

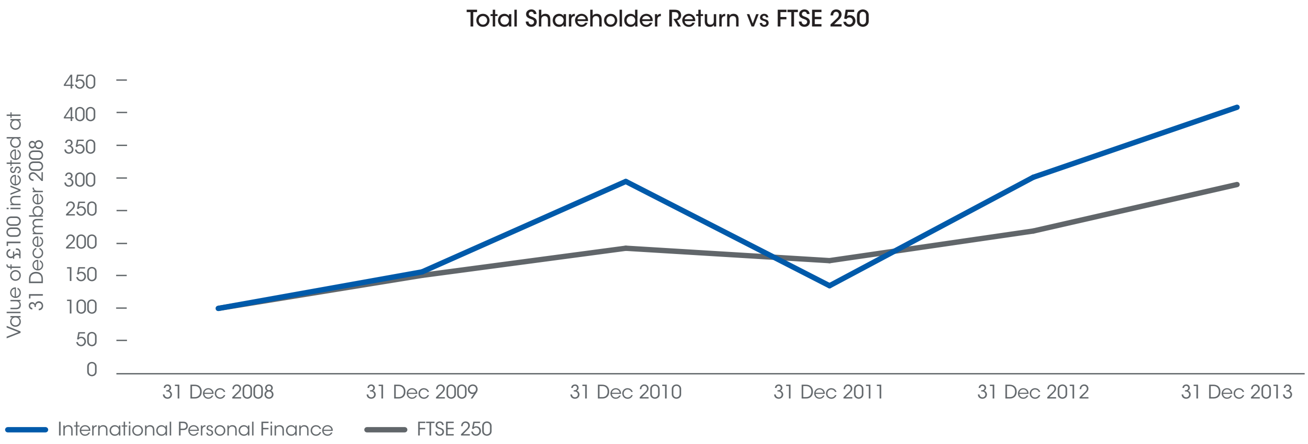
The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2012 and 2013 compared with the percentage change in the average of each of those components of pay for a group of employees. The Committee has selected the UK senior management population plus the country boards (around 80 people) for this comparison, due to the structure of the remuneration package.

	Chief Executive		All employees
	To 31 December 2013 £'000	Percentage change (2013 Vs 2012)	Percentage change (2013 Vs 2012)
Salary	460	3.0%	3.2%
Benefits	25	1.4%	2.1%
Bonus	460	32.9%[1]	40.3%[2]

1. Gerard Ryan's award in 2012 was pro-rated to reflect time in role.
2. Due to an increase in the comparator population achieving bonus.

Performance graph and table

The graph below compares the TSR of the Company with the companies comprising the FTSE 250 Index for the five-year period ended 31 December 2013. This index was chosen for comparison because the Company is a member of this index and has been for almost all of the time since its shares were listed on 16 July 2007.



The table below shows the corresponding CEO remuneration, as well as the annual variable element award rates and long-term vesting rates against maxima over the same period.

		CEO single figure of remuneration £'000	Annual bonus payout (as % maximum opportunity)	LTIP vesting (as % of maximum opportunity)
2013	Gerard Ryan	1,037	100%	–
2012	Gerard Ryan	889	80%	–
	John Harnett	718	–	–
2011	John Harnett	943	67%	–
2010	John Harnett	952	80%	–
2009	John Harnett	603	–	–

Notes: Gerard Ryan was appointed CEO on 1 April 2012. John Harnett resigned on 31 March 2012.

Relative spend on pay

The table below shows the expenditure and percentage change in overall spend on employee remuneration and dividend plus share buybacks:

£million unless otherwise stated	**2013**	2012	Percentage change
Overall expenditure on pay	**164.7**	146.1	12.7%[1]
Dividend paid in the year	**21.9**	19.3	13.5%
Share buyback	**60**	25	140%

1 The percentage increase at constant exchange rates is 10.6%.

Statement of implementation of remuneration policy in the following financial year

Appointment of the Chief Financial Officer

Adrian Gardner joined the Board as Chief Financial Officer on 2 January 2014. His remuneration package is set out below:

- Base salary – £319,000 per annum.
- Annual bonus – 80% of base salary for on-target performance and 100% of salary for maximum performance in line with current policy.
- The performance measures for the year will be as per the policy for the CEO and CCO.
- Long-term incentives – he will be eligible to receive a PSP award equal to 125% of base salary in the year in line with our normal policy. The award will be subject to performance conditions set at the time of grant and a three-year performance period. Leaver treatment for these awards will follow the rules of the plan and our loss of office policy as set out in the policy report.
- Benefits – provided in line with our policy.

Corporate Governance

- Pension – he will be provided with a Company contribution to the defined contribution plan of 20% of base salary. In line with our pension policy, he has elected to receive all of his pension allowance in cash.
- Shareholding guidelines – all executive directors are required to hold Company shares equivalent to 200% of their base salary. Until this requirement is met, directors must retain (net of any shares sold to meet tax liability) 50% of shares vesting from deferred bonus, LTIP and exercise of options.

At the same time that Adrian Gardner joined, David Broadbent changed role to that of Chief Commercial Officer. His remuneration package did not change as a result of his change in role.

Components of remuneration

Effective from 1 April 2014, the base salary for the CEO will be £500,000; the CFO £319,000; and the CCO £328,879. The base salary of the CEO will increase by 7.9% reflecting both his development and strong performance in the role since appointment. The base salary increase of the CCO is in line with the anticipated award to UK employees.

Pension and benefits are in line with benefits stated in the policy table.

There was no change in the maximum opportunity under our annual bonus plan. The performance measures remain 50% profit before tax and 50% on personal objectives, unchanged from 2013. Targets are not disclosed because they are considered by the Board to be commercially sensitive, in particular resulting from the fact that the majority of the Company's competitors are unlisted.

There was no change in the normal and maximum PSP opportunity for and awards of 125% of base salary are expected to be made in 2014.

As in 2013, performance will be assessed against three equally-weighted, independently-measured metrics: one-third absolute TSR; one-third EPS growth; and one-third growth in revenue less of impairment.

Targets have been reviewed and will remain the same for awards made in 2014:

	Absolute TSR	Cumulative EPS growth	Growth in revenue less impairment
Weighting	1/3	1/3	1/3
Vested at threshold	25%	25%	25%
Threshold	30% over 3 years	6% p.a.	5% p.a.
Stretch (100% vesting)	60% over 3 years	15% p.a.	12% p.a.

Other directorships

The Company will normally permit an executive director to hold one non-executive directorship and to retain the fee from that appointment, subject to the prior approval of the Board. No executive director held such a position during the year under review.

Directors' shareholdings and share interests (audited information)

The interests of each person who was a director of the Company as at 31 December 2013 (together with interests held by his or her connected persons) were:

Director	**Ordinary shares as at 31 December 2013**	Ordinary shares as at 31 December 2012	Subject to performance conditions	Subject to deferral
Gerard Ryan	**300,000**	200,000	446,581	54,675
David Broadbent	**62,611**	18,036	366,985	195,804
Christopher Rodrigues	**218,562**	218,562		
Tony Hales	**25,000**	25,000		
Edyta Kurek	**–**	–		
Richard Moat	**15,000**	–		
Nicholas Page	**50,674**	50,674		

In addition, the following director had interests in Euro Medium Term Notes as follows:

Director	**Euro Notes as at 31 December 2013**	Euro Notes as at 31 December 2012
Nicholas Page	**€400,000**	€400,000

There were no changes to these interests between 31 December 2013 and 26 February 2014.

Corporate Governance

Share options

PSP

Awards made under the PSP to executive directors are as follows:

Director's name	Awards held at 31 December 2012	Awards made in 2013	Date of award	**Awards held at 31 December 2013**	Performance condition period	Starting TSR (p)	Exercise period
Gerard Ryan	270,455	–	2 Mar 2012	**270,445**	2 Mar 2012 – 1 Mar 2015	193	2 Mar 2015 – 1 Mar 2022
	–	109,316	1 Aug 2013	**109,316**	1 Aug 2013 – 31 Jul 2016	487	1 Aug 2016 – 31 Jul 2023
	270,455	**109,316**		**379,761**			
David Broadbent	116,735	–	23 Jul 2010	**58,368**[1]	23 Jul 2010 – 22 Jul 2013	221	23 Jul 2013 – 22 Jul 2020
	96,633	–	29 Jul 2011	**96,633**	29 Jul 2011 – 28 Jul 2014	357	29 Jul 2014 – 28 Jul 2021
	105, 457	–	8 Aug 2012	**105,457**	8 Aug 2012 – 7 Aug 2015	244	8 Aug 2015 – 7 Aug 2022
	–	62,755	1 Aug 2013	**62,755**	1 Aug 2013 – 31 Jul 2016	487	1 Aug 2016 – 31 Jul 2023
	318,825	**62,755**		**323,213**			

1 58,367 options were exercised in the year, the gain arising on the exercise of these options amounted to £363,626.

2 Vested, but unexercised awards.

Notes to awards

The awards are nil-cost options to acquire shares for £nil consideration. No consideration is payable on the grant of an option. For awards granted prior to 2013, 33% of the award will vest if TSR growth is 30% and 100% will vest if TSR growth is 60%. If growth in TSR is between 30% and 60%, vesting will be on a straight-line basis. For awards granted during 2013, the award will vest as follows, with straight-line vesting between the points:

	Absolute TSR	Cumulative EPS growth	Growth in revenue less impairment
Weighting	1/3	1/3	1/3
Vested at threshold	25%	25%	25%
Threshold	30% over 3 years	6% p.a.	5% p.a.
Stretch (100% vesting)	60% over 3 years	15% p.a.	12% p.a.

50% of the award may be exercised after the end of the performance period, with the other 50% exercisable after a further year.

There were no changes in the interests of directors under the PSP between 31 December 2013 and 26 February 2014.

There were no variations in the terms and conditions of plan interests during 2013.

The mid-market closing price of the Company's shares on 31 December 2013 was 498 pence and the range during 2013 was 373 pence to 675 pence.
The mid-market closing price of the Company's shares on 31 July 2013, the day preceding the date of the award on 1 August 2013, was 636 pence.

CSOP

Awards made under the CSOP to executive directors are as follows:

Director's name	Awards held at 31 December 2012	Awards made in 2013	**Awards held at 31 December 2013**	Performance condition period	Starting TSR (p)	Exercise period	Exercise price (p)
Gerard Ryan	12,145	–	**12,145**	2 Mar 2012 – 1 Mar 2015	193	2 Mar 2015 – 1 Mar 2022	247
David Broadbent	14,416	–	**7,208**[1]	23 Jul 2010 – 22 Jul 2013	221	23 Jul 2013 – 22 Jul 2020	208

1 7,208 options were exercised in the year, the gain arising on the exercise of these options amounted to £29,906.

Notes to awards

The awards are options to acquire shares for their market value at the date of grant. No consideration is payable on the grant of an option. 33% of the award will vest if TSR growth is 30% and 100% will vest if TSR growth is 60%. If growth in TSR is between 30% and 60%, vesting will be on a straight-line basis. 50% of the award may be exercised after the end of the performance period with the other 50% exercisable after a further year.

There were no changes in the interests of the directors under the CSOP between 31 December 2013 and 26 February 2014.

There were no variations in the terms and conditions of plan interests during 2013.

The mid-market closing price of the Company's shares on 31 December 2013 was 498 pence and the range during 2013 was 373 pence to 675 pence.

DSP

Awards made under the DSP to executive directors are as follows:

Director's name	Awards held at 31 December 2012	Awards made in 2013	Date of award	**Awards held at 31 December 2013**	Exercise period
Gerard Ryan	–	**109,350**[1]	8 Apr 2013	**109,350**	8 Apr 2016 – 7 Apr 2023
David Broadbent	42,504	–	24 Mar 2011	**42,504**	24 Mar 2014 – 23 Mar 2021
	111,312[2]	–	27 Mar 2012	**111,312**	27 Mar 2015 – 26 Mar 2022
		78,552[3]	8 Apr 2013	**78,552**	8 Apr 2016 – 7 Apr 2023
	153,816	**78,552**		**232,368**	

1 This comprises 54,675 deferred shares and 54,675 matching shares.
2 This comprises 55,656 deferred shares and 55,656 matching shares.
3 This comprises 39,276 deferred shares and 39,276 matching shares.

Notes to awards

The awards made in 2011 were granted in respect of the deferred element of the 2010 bonus scheme for executive directors. They are nil-cost options to acquire shares for £nil consideration. There are no performance conditions.

The awards granted in 2012 and 2013 are eligible for a matching award, subject to the same performance conditions as the PSP.

There were no changes in the interests of directors under the DSP between 31 December 2013 and 26 February 2014.

There were no variations in the terms and conditions of plan interests during 2013.

The mid-market closing price of the Company's shares on 31 December 2013 was 498 pence and the range during 2013 was 373 pence to 675 pence.

The mid-market closing price of the Company's shares on 5 April 2013, the day preceding the date of the award, was 422 pence.

The SAYE Scheme

Awards held under the SAYE Scheme are as follows:

Director's name	Awards held at 31 December 2012	Awards made in 2013	**Awards held at 31 December 2013**	Normal exercisable dates	Exercise price (p)
Gerard Ryan	7,777	–	**7,777**	1 Jun 2019 – 30 Nov 2019	198
David Broadbent	8,936	–	**–**	1 Jun 2013 – 30 Nov 2013	188

Notes to awards

No consideration is payable on the grant of an option.

There were no changes in the interests of the directors under the SAYE Scheme between 31 December 2013 and 26 February 2014.

There have been no variations in the terms and conditions of scheme interests during the year.

The mid-market closing price of the Company's shares on 31 December 2013 was 498 pence and the range during 2013 was 373 pence to 675 pence.

Shareholder context

The table below shows the advisory vote on the Remuneration Report at the 2013 AGM. It is the Committee's policy to consult with major shareholders prior to any major changes.

	For	Against	Withheld
Votes	97.83%	2.17%	4.6%

Consideration by the directors of matters relating to directors' remuneration

The following directors were members of the Remuneration Committee when matters relating to the directors' remuneration for the year were being considered and are considered to be independent:

- Tony Hales (Chairman)
- John Lorimer (until 25 April 2013)
- Richard Moat (from 24 April 2013)
- Nicholas Page

The Committee received assistance from Helen Thornton (Group Director of Human Resources), Tim Pearson (Group Head of Reward) and Ben Murphy (Company Secretary) and other members of management, who may attend meetings by invitation, except when matters relating to their own remuneration are being discussed.

The main activities of the Committee during the year were:

- assessed performance of executive directors and determined annual bonuses for 2013;
- established the executive directors' bonus arrangements for 2014;
- set bonus targets for the executive directors for 2014;
- approved share awards for 2013;
- approved the remuneration package for the incoming Chief Financial Officer;
- reviewed remuneration benchmarking and set base salaries for executive directors;
- considered and, following shareholder consultation, conditionally approved a new all-employee share scheme to be put forward for shareholder approval at the 2014 AGM;
- reviewed directors' shareholding requirement and changed to a percentage of salary / fee;
- considered remuneration market trends and corporate governance developments; and
- reviewed the revised remuneration reporting regulations and prepared the Directors' Remuneration Report.

Advisor to the Committee

Kepler Associates ('Kepler') were appointed by the Committee as its independent remuneration advisor in 2007, and their appointment was confirmed following a competitive selection process in 2010. During the year, Kepler provided independent advice on remuneration matters including incentive design, current market practice, target setting and monitoring of total shareholder return. The fees paid to Kepler in respect of advice to the Committee in 2013 (based on time and materials) totalled £24,600 (excl. VAT). Kepler also provided advice to management in connection with CSOP valuations. The fees paid in this respect during 2013 were £1,300 (excl VAT). Kepler is a founding member and signatory to the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. The Committee is satisfied that the advice it has received has been objective and independent and that Kepler does not have any connections with the Company that may impair their independence.

Approved by the Board on 26 February 2014.

Ben Murphy
Company Secretary

26 February 2014

Opinion on the Financial Statements of International Personal Finance plc

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Financial Statements comprise the consolidated income statement, statements of comprehensive income, balance sheets, statements of changes in equity, cash flow statements, accounting policies and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 36 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate; and
- we have not identified material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Groupwide controls, and assessing the risks of material misstatement at the Group level.

Based on that assessment, we focused our Group audit scope on the audit work at six operating locations, which were subject to a full audit. Together with the Group functions, which were also subject to a full audit, these six locations represent the principal business units within the Group's reportable segments and account for 99.7% of the Group's net assets, 99.9% of the Group's revenue and 100.0% of the Group's profit before tax.

They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified below. Our audit work at the six locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor visits each of the six locations where the Group audit scope was focused at least once every three years. In years when the Senior Statutory Auditor does not visit a significant component we will include the component audit partner and team in our team briefing, discuss their risk assessment, and review the relevant documentation of the findings from their work.

Based on the above, the assessed risks of material misstatement described overleaf are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Impairment of receivables	
Determining impairment provisions for bad and doubtful debts against customer receivables is judgemental requiring an estimate to be made of the likely loss within the lending portfolios. This requires the estimation of future customer default rates and expected future cash flows for each portfolio.	We evaluated the appropriateness of management's key assumptions used in the impairment calculations for customer receivables, including the estimation of future customer default rates and expected future cash flows for each portfolio, and tested the underlying controls in the provisioning process. We also tested the accuracy and completeness of the provision calculation by testing an extraction of source data from the core lending systems, recalculating the provision in accordance with the approved provisioning policy, and testing the timely identification of impaired accounts.
Revenue recognition	
The recognition of revenue on loans using an effective interest rate method requires significant judgement by management to determine key assumptions regarding the expected life of each loan and the related cash flows.	We assessed the appropriateness of management's key assumptions used in the recognition of revenue using the effective interest rate method as described in the accounting policies by comparison against historical customer behaviour and by performing analytical procedures to assess the sensitivity of changing the chosen rate.
Hedge accounting	
The hedge accounting requirements require significant skilled input and oversight by management, as well as robust systems and controls particularly due to the number of hedge arrangements in the Group.	We tested management's application of hedge accounting which comprised testing hedge documentation, and independently re-performed a sample of hedge effectiveness tests conducted by management during the year.
Deferred tax accounting	
The recognition and measurement of deferred tax assets, which are reliant upon the underlying profit forecasts of the Group.	We tested the recognition and measurement of the deferred tax asset, and assessed the underlying profit forecasts of the Group in order to determine whether full recognition of the deferred tax asset was appropriate.
Provision for uncertain tax positions and regulatory matters	
The completeness of provisions against taxation or regulatory exposures in the various jurisdictions in which the Group operates, and an assessment as to whether any provisions are required for customer remediation.	We considered the completeness of any taxation or regulatory provisions required by reference to internal and external information, and challenged the appropriateness of management's key assumptions used.

The Audit and Risk Committee's consideration of these risks is set out on page 53.

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £5 million, which is below 5% of normalised pre-tax profit, and below 1.5% of equity. Pre-tax profit has been normalised by excluding the £15.9 million profit on sale of impaired receivables.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £100,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under the International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews, and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Stephen Williams FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

26 February 2014

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

Group	Notes	2013 £M	2012 £M
Revenue	1	**746.8**	651.7
Impairment	1	**(198.6)**	(176.2)
Revenue less impairment		**548.2**	475.5
Finance costs	2	**(49.0)**	(41.6)
Other operating costs		**(112.5)**	(100.3)
Administrative expenses		**(268.6)**	(238.5)
Total costs		**(430.1)**	(380.4)
Profit before taxation and exceptional items	1	**118.1**	95.1
Exceptional items	10	**12.4**	(4.8)
Profit before taxation	1	**130.5**	90.3
Tax income – UK		**1.2**	4.4
Tax expense – overseas		**(36.1)**	(20.6)
Total tax expense	5	**(34.9)**	(16.2)
Profit after taxation attributable to owners of the Company		**95.6**	74.1

The profit for the period is from continuing operations.

Group	Notes	2013 pence	2012 pence
Earnings per share – total			
Basic	6	**39.18**	29.42
Diluted	6	**38.07**	28.63

The accounting policies and notes 1 to 30 are an integral part of these Financial Statements.

Financial Statements

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December

	Notes	Group 2013 £M	Group 2012 £M	Company 2013 £M	Company 2012 £M
Profit/(loss) after taxation attributable to owners of the Company		**95.6**	74.1	**34.5**	(19.5)
Other comprehensive income/(expense)					
Items that may subsequently be reclassified to income statement					
Exchange (losses)/gains on foreign currency translations		**(3.9)**	11.7	**–**	–
Net fair value (losses)/gains – cash flow hedges		**(0.5)**	2.1	**(0.5)**	–
Tax credit/(charge) on items that may be reclassified	5	**0.3**	(0.6)	**0.1**	–
Items that will not subsequently be reclassified to income statement					
Actuarial gains on retirement benefit obligation		**1.9**	0.6	**0.5**	0.1
Tax charge on items that will not be reclassified	5	**(0.4)**	(0.1)	**(0.1)**	(0.1)
Other comprehensive (expense)/income net of taxation		**(2.6)**	13.7	**–**	–
Total comprehensive income/(expense) for the year attributable to owners of the Company		**93.0**	87.8	**34.5**	(19.5)

The accounting policies and notes 1 to 30 are an integral part of these Financial Statements.

BALANCE SHEETS
as at 31 December

	Notes	Group 2013 £M	Group 2012 £M	Company 2013 £M	Company 2012 £M
Assets					
Non-current assets					
Intangible assets	11	**1.8**	3.2	**–**	–
Investment in subsidiaries	12	**–**	–	**669.1**	667.1
Property, plant and equipment	13	**28.8**	28.3	**0.3**	0.5
Deferred tax assets	14	**65.2**	57.1	**1.8**	1.9
		95.8	88.6	**671.2**	669.5
Current assets					
Amounts receivable from customers:					
– due within one year		**739.1**	627.2	**–**	–
– due in more than one year		**45.7**	23.1	**–**	–
	15	**784.8**	650.3	**–**	–
Derivative financial instruments	21	**6.5**	–	**–**	–
Cash and cash equivalents	16	**24.6**	24.2	**–**	–
Other receivables	17	**14.4**	15.4	**376.4**	276.0
Current tax assets		**1.3**	2.0	**8.7**	6.3
		831.6	691.9	**385.1**	282.3
Total assets		**927.4**	780.5	**1,056.3**	951.8
Liabilities					
Current liabilities					
Borrowings	19	**(14.4)**	(16.4)	**(6.2)**	(5.1)
Derivative financial instruments	21	**(3.7)**	(1.4)	**(0.4)**	–
Trade and other payables	18	**(102.8)**	(68.2)	**(265.9)**	(240.1)
Current tax liabilities		**(25.6)**	(21.1)	**–**	–
		(146.5)	(107.1)	**(272.5)**	(245.2)
Non-current liabilities					
Retirement benefit obligation	24	**(0.9)**	(3.2)	**(0.2)**	(0.6)
Borrowings	19	**(386.1)**	(294.4)	**(326.1)**	(208.1)
		(387.0)	(297.6)	**(326.3)**	(208.7)
Total liabilities		**(533.5)**	(404.7)	**(598.8)**	(453.9)
Net assets		**393.9**	375.8	**457.5**	497.9
Equity attributable to owners of the Company					
Called-up share capital	26	**24.0**	24.9	**24.0**	24.9
Other reserve		**(22.5)**	(22.5)	**226.3**	226.3
Foreign exchange reserve		**9.8**	13.7	**–**	–
Hedging reserve		**(0.5)**	(0.3)	**(0.4)**	–
Shares held by employee trust		**(3.0)**	(4.5)	**(3.0)**	(4.5)
Capital redemption reserve		**1.7**	0.8	**1.7**	0.8
Retained earnings		**384.4**	363.7	**208.9**	250.4
Total equity		**393.9**	375.8	**457.5**	497.9

The accounting policies and notes 1 to 30 are an integral part of these Financial Statements.

The Financial Statements comprising the consolidated income statement, statements of comprehensive income, balance sheets, statements of changes in equity, cash flow statements, accounting policies and notes 1 to 30 were approved by the Board on 26 February 2014 and were signed on its behalf by:

Gerard Ryan
Chief Executive Officer

David Broadbent
Chief Commercial Officer

Adrian Gardner
Chief Financial Officer

Group – Attributable to owners of the Company	Called-up share capital £M	Other reserve £M	Foreign exchange reserve £M	Hedging reserve £M	Shares held by employee trust £M	Capital redemption reserve £M	Retained earnings £M	Total equity £M
At 1 January 2012	25.7	(22.5)	2.0	(1.8)	(5.7)	–	330.0	327.7
Comprehensive income								
Profit after taxation for the year	–	–	–	–	–	–	74.1	74.1
Other comprehensive income/(expense)								
Exchange gains on foreign currency translation	–	–	11.7	–	–	–	–	11.7
Net fair value gains – cash flow hedges	–	–	–	2.1	–	–	–	2.1
Actuarial gains on retirement benefit obligation	–	–	–	–	–	–	0.6	0.6
Tax charge on other comprehensive income	–	–	–	(0.6)	–	–	(0.1)	(0.7)
Total other comprehensive income	–	–	11.7	1.5	–	–	0.5	13.7
Total comprehensive income for the year	–	–	11.7	1.5	–	–	74.6	87.8
Transactions with owners								
Share-based payment adjustment to reserves	–	–	–	–	–	–	3.1	3.1
Deferred tax on share-based payment transactions	–	–	–	–	–	–	0.8	0.8
Own shares acquired	(0.8)	–	–	–	–	0.8	(25.0)	(25.0)
Shares granted from employee trust	–	–	–	–	1.2	–	(1.2)	–
Dividends paid to Company shareholders	–	–	–	–	–	–	(18.6)	(18.6)
At 31 December 2012	24.9	(22.5)	13.7	(0.3)	(4.5)	0.8	363.7	375.8
At 1 January 2013	**24.9**	**(22.5)**	**13.7**	**(0.3)**	**(4.5)**	**0.8**	**363.7**	**375.8**
Comprehensive income								
Profit after taxation for the year	**–**	**–**	**–**	**–**	**–**	**–**	**95.6**	**95.6**
Other comprehensive income/(expense)								
Exchange losses on foreign currency translation	**–**	**–**	**(3.9)**	**–**	**–**	**–**	**–**	**(3.9)**
Net fair value losses – cash flow hedges	**–**	**–**	**–**	**(0.5)**	**–**	**–**	**–**	**(0.5)**
Actuarial gains on retirement benefit obligation	**–**	**–**	**–**	**–**	**–**	**–**	**1.9**	**1.9**
Tax credit/(charge) on other comprehensive income	**–**	**–**	**–**	**0.3**	**–**	**–**	**(0.4)**	**(0.1)**
Total other comprehensive (expense)/income	**–**	**–**	**(3.9)**	**(0.2)**	**–**	**–**	**1.5**	**(2.6)**
Total comprehensive (expense)/income for the year	**–**	**–**	**(3.9)**	**(0.2)**	**–**	**–**	**97.1**	**93.0**
Transactions with owners								
Share-based payment adjustment to reserves	**–**	**–**	**–**	**–**	**–**	**–**	**5.2**	**5.2**
Deferred tax on share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Own shares acquired	**(0.9)**	**–**	**–**	**–**	**–**	**0.9**	**(60.0)**	**(60.0)**
Shares granted from employee trust	**–**	**–**	**–**	**–**	**1.5**	**–**	**(1.5)**	**–**
Dividends paid to Company shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(20.4)**	**(20.4)**
At 31 December 2013	**24.0**	**(22.5)**	**9.8**	**(0.5)**	**(3.0)**	**1.7**	**384.4**	**393.9**

Company – Attributable to owners of the Company	Called-up share capital £M	Other reserve £M	Hedging reserve £M	Shares held by employee trust £M	Capital redemption reserve £M	Retained earnings £M	Total equity £M
At 1 January 2012	25.7	226.3	–	(5.7)	–	311.0	557.3
Comprehensive expense							
Loss after taxation for the year	–	–	–	–	–	(19.5)	(19.5)
Other comprehensive income/(expense)							
Actuarial gains on retirement benefit obligation	–	–	–	–	–	0.1	0.1
Tax charge on other comprehensive income	–	–	–	–	–	(0.1)	(0.1)
Total other comprehensive income	–	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	–	(19.5)	(19.5)
Transactions with owners							
Share-based payment adjustment to reserves	–	–	–	–	–	3.1	3.1
Deferred tax on share-based payment transactions	–	–	–	–	–	0.6	0.6
Own shares acquired	(0.8)	–	–	–	0.8	(25.0)	(25.0)
Shares granted from employee trust	–	–	–	1.2	–	(1.2)	–
Dividends paid to Company shareholders	–	–	–	–	–	(18.6)	(18.6)
At 31 December 2012	24.9	226.3	–	(4.5)	0.8	250.4	497.9
At 1 January 2013	**24.9**	**226.3**	–	**(4.5)**	**0.8**	**250.4**	**497.9**
Comprehensive expense							
Profit after taxation for the year	**–**	**–**	**–**	**–**	**–**	**34.5**	**34.5**
Other comprehensive income/(expense)							
Net fair value losses – cash flow hedges	**–**	**–**	**(0.5)**	**–**	**–**	**–**	**(0.5)**
Actuarial gains on retirement benefit obligation	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Tax credit/(charge) on other comprehensive income	**–**	**–**	**0.1**	**–**	**–**	**(0.1)**	**–**
Total other comprehensive (expense)/income	**–**	**–**	**(0.4)**	**–**	**–**	**0.4**	**–**
Total comprehensive (expense)/income for the year	**–**	**–**	**(0.4)**	**–**	**–**	**34.9**	**34.5**
Transactions with owners							
Share-based payment adjustment to reserves	**–**	**–**	**–**	**–**	**–**	**5.2**	**5.2**
Deferred tax on share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Own shares acquired	**(0.9)**	**–**	**–**	**–**	**0.9**	**(60.0)**	**(60.0)**
Shares granted from employee trust	**–**	**–**	**–**	**1.5**	**–**	**(1.5)**	**–**
Dividends paid to Company shareholders	**–**	**–**	**–**	**–**	**–**	**(20.4)**	**(20.4)**
At 31 December 2013	**24.0**	**226.3**	**(0.4)**	**(3.0)**	**1.7**	**208.9**	**457.5**

The other reserve represents the difference between the nominal value of the shares issued when the Company became listed on 16 July 2007 and the fair value of the subsidiary companies acquired in exchange for this share capital.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement. The profit after taxation of the Parent Company for the period was £34.5 million (2012: loss of £19.5 million).

The accounting policies and notes 1 to 30 are an integral part of these Financial Statements.

CASH FLOW STATEMENTS
for the year ended 31 December

	Notes	Group 2013 £M	Group 2012 £M	Company 2013 £M	Company 2012 £M
Cash flows from operating activities					
Cash generated from/(used in) operating activities	27	**84.2**	98.2	**(31.4)**	50.9
Established businesses		**101.8**	89.6	**(31.4)**	50.9
Developing businesses		**(17.6)**	8.6	**–**	–
		84.2	98.2	**(31.4)**	50.9
Finance costs paid		**(47.0)**	(40.9)	**(45.2)**	(32.8)
Finance income received		**–**	–	**29.4**	24.3
Income tax (paid)/received		**(38.5)**	(28.1)	**4.0**	3.7
Net cash (used in)/generated from operating activities		**(1.3)**	29.2	**(43.2)**	46.1
Cash flows from investing activities					
Purchases of property, plant and equipment	13	**(13.9)**	(9.4)	**–**	(0.1)
Proceeds from sale of property, plant and equipment		**0.6**	2.5	**–**	–
Purchases of intangible assets	11	**–**	(1.5)	**–**	–
Net cash used in investing activities		**(13.3)**	(8.4)	**–**	(0.1)
Net cash from operating and investing activities					
Established businesses		**21.0**	30.9	**(43.2)**	46.0
Developing businesses		**(35.6)**	(10.1)	**–**	–
		(14.6)	20.8	**(43.2)**	46.0
Cash flows from financing activities					
Proceeds from borrowings		**142.4**	54.6	**134.9**	12.3
Repayment of borrowings		**(47.4)**	(25.9)	**(12.0)**	(14.7)
Dividends paid to Company shareholders	7	**(20.4)**	(18.6)	**(20.4)**	(18.6)
Acquisition of own shares		**(60.0)**	(25.0)	**(60.0)**	(25.0)
Cash received on options exercised		**0.7**	–	**0.7**	–
Net cash generated from/(used in) financing activities		**15.3**	(14.9)	**43.2**	(46.0)
Net increase in cash and cash equivalents		**0.7**	5.9	**–**	–
Cash and cash equivalents at beginning of year		**24.2**	17.9	**–**	–
Exchange (losses)/gains on cash and cash equivalents		**(0.3)**	0.4	**–**	–
Cash and cash equivalents at end of year	16	**24.6**	24.2	**–**	–
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand	16	**24.6**	24.2	**–**	–

The developing businesses comprise Mexico, Romania, Lithuania and Bulgaria.

The accounting policies and notes 1 to 30 are an integral part of these Financial Statements.

Basis of preparation

The Consolidated Group and Parent Company Financial Statements of International Personal Finance plc and its subsidiaries ('IPF' or the 'Group') have been prepared in accordance with European Union endorsed International Financial Reporting Standards ('IFRSs'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013 and have the following impact on the Group:

- IFRS 13 'Fair value measurement' – the impact of this standard has been to increase the level of disclosure provided on financial assets and financial liabilities; and
- IAS 19 'Employee benefits' (as revised in 2011) – the impact of this standard has been to increase the level of disclosure provided on the defined benefit pension scheme.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013 but do not have any impact on the Group:

- IFRS 1 (amendments) 'Severe hyperinflation and removal of fixed dates', 'Government loans';
- IFRS 7 (amendment) 'Disclosures – offsetting financial assets';
- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint arrangements';
- IFRS 12 'Disclosure of interests in other entities';
- IAS 1 'Presentation of items of other comprehensive income';
- IAS 12 (amendment) 'Recovery of underlying assets';
- IAS 27 'Separate Financial Statements' (as revised in 2011); and
- IAS 28 'Investments in associates and joint ventures' (as revised in 2011).

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

- IFRS 9 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The mandatory implementation date for this standard has not been finalised nor has the standard been endorsed by the European Union. At the International Accounting Standards Board's (IASB) November 2013 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. The Group is in the process of assessing IFRS 9's full impact;
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment entities';
- IAS 19 (amendment) 'Employee contributions';
- IAS 32 (amendment) 'Offsetting financial assets and financial liabilities';
- IAS 36 (amendment) 'Recoverable amount disclosures';
- IAS 39 (amendment) 'Novation of derivatives'; and
- IFRIC 21 'Levies'.

Accounting convention

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value. The principal accounting policies, which have been applied consistently, are set out in the following paragraphs.

Going concern
The directors have, at the time of approving the Financial Statements, a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the Financial Statements. Further detail is contained in the directors' statement on page 36.

Consolidation
These Consolidated Financial Statements include the financial results of all companies which are controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. All companies are 100% owned by IPF plc Group companies. A list of the principal subsidiaries in the Group is included in note 12.

Finance costs
Finance costs comprise the interest on external borrowings which are recognised on an effective interest rate ('EIR') basis, and gains or losses on derivative contracts taken to the income statement.

Segment reporting
The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board. This information is geographical. A geographical segment is a component of the Group that operates within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Revenue
Revenue, which excludes value added tax and intra-Group transactions, comprises revenue earned on amounts receivable from customers. Revenue on customer receivables is calculated using an EIR. The EIR is calculated using estimated cash flows, being contractual payments adjusted for the impact of customers paying early but excluding the anticipated impact of customers paying late or not paying at all.

Directly attributable issue costs are also taken into account in calculating the EIR. Interest income continues to be accrued on impaired receivables using the original EIR applied to the loan's carrying value.

The accounting for amounts receivable from customers is considered further below.

Leases
The leases entered into by the Group are solely operating leases. Costs in respect of operating leases are charged to the income statement on a straight-line basis over the lease term.

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the Group.

Other operating costs
Other operating costs include agent's commission, marketing costs and foreign exchange gains and losses. All other costs are included in administrative expenses.

Share-based payments
The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the award. The corresponding credit is made to retained earnings. The cost is based on the fair value of awards granted, which is determined using both a Monte Carlo simulation and Black-Scholes option pricing model.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

In the Parent Company Financial Statements, in accordance with IFRIC 11 'IFRS 2 Group and treasury share transactions', the fair value of providing share-based payments to employees of subsidiary companies is treated as an increase in the investment in subsidiaries.

Exceptional items

The Group classifies as exceptional those significant items that are one-off in nature and do not reflect the underlying performance of the Group.

Financial instruments

Amounts receivable from customers

All customer receivables are initially recognised at the amount loaned to the customer plus directly attributable incremental issue costs. After initial recognition, customer receivables are subsequently measured at amortised cost. Amortised cost is the amount of the customer receivable at initial recognition less customer repayments, plus revenue earned calculated using the EIR, less any deduction for impairment. Customer receivables are classified as loans and receivables in accordance with IAS 39 'Financial instruments: recognition and measurement'.

All customer receivables are assessed for impairment each week. Customer accounts that are in arrears are deemed to have demonstrated evidence of impairment and are subject to an impairment review. Impairment is calculated using actuarial models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage. These estimated future cash flows are discounted to a present value using the original EIR and this figure is compared with the balance sheet value.

The unwinding of the discounted value used to compute the impairment is reflected in the interest charged on the impaired loan. Impairment charges in respect of customer receivables are charged to the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Cash also includes those balances held by agents for operational purposes. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Derivative financial instruments

The Group uses derivative financial instruments, principally interest rate swaps and forward currency contracts, to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39. The majority of the Group's derivatives are cash flow hedges of highly probable forecast transactions and meet the hedge accounting requirements of IAS 39. Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently remeasured at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately within the income statement. The Group discontinued its policy of hedging foreign currency profits from the start of 2013.

For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of finance costs. Amounts accumulated in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

The Group discontinues hedge accounting when:

- it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge;
- the derivative expires, or is sold, terminated or exercised; or
- the underlying hedged item matures or is sold or repaid.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Intangible assets

Intangible assets comprise computer software. Computer software is capitalised as an intangible asset on the basis of the costs incurred to acquire or develop the specific software and bring it into use. All intangible assets are internally generated.

Computer software is amortised (within administrative expenses) on a straight-line basis over its estimated useful economic life which is generally estimated to be five years. The residual values and economic lives are reviewed by management at each balance sheet date.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, where cost is equal to the fair value of the consideration used to acquire the asset. Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the investment carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable value over their useful economic lives. The following are the principal bases used:

Category	Depreciation rate	Method
Fixtures and fittings	10%	Straight-line
Equipment (including computer hardware)	20% to 33.3%	Straight-line
Motor vehicles	25%	Reducing balance

The residual value and useful economic life of all assets are reviewed, and adjusted if appropriate, at each balance sheet date. All items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised through the income statement for the amount by which the asset's carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Share capital

IPF plc has only ordinary share capital. These shares, with a nominal value of 10 pence per share, are classified as equity.

Shares held by employee trust

The net amount paid by the employee trust to acquire shares is held in a separate reserve and shown as a reduction in equity.

Foreign currency translation

Items included in the Financial Statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency'). The Group's financial information is presented in sterling.

Transactions that are not denominated in a subsidiary's functional currency are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the rates of exchange ruling at the balance sheet date. Differences arising on translation are charged or credited to the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

The income statements of the Group subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from sterling are translated into sterling at the average exchange rate and the balance sheets are translated at the exchange rates ruling at each balance sheet date.

Upon consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

Taxation

The tax expense represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Employee benefits

Defined benefit pension plan

The charge or credit in the income statement in respect of the defined benefit pension plan comprises the actuarially assessed current service cost of working employees together with the interest charge on pension liabilities offset by the expected return on pension scheme assets. All charges or credits are allocated to administrative expenses.

The asset or obligation recognised in the balance sheet in respect of the defined benefit pension plan is the fair value of the plan's assets less the present value of the defined benefit obligation at the balance sheet date.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income.

Past service costs are recognised immediately in the income statement unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time ('the vesting period'). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The Parent Company share of the defined benefit retirement obligation is based on the proportion of total Group contributions made by the Parent Company.

Defined contribution plans

Contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Key assumptions and estimates

In applying the accounting policies set out above, the Group makes significant estimates and assumptions that affect the reported amounts of assets and liabilities as follows:

Revenue recognition

The judgement in respect of revenue recognition is the methodology used to calculate the EIR. In order to determine the EIR applicable to loans an estimate must be made of the expected life of each loan and hence the cash flows relating thereto. These estimates are based on historical data and are reviewed regularly.

Amounts receivable from customers

The Group reviews its portfolio of customer loans and receivables for impairment every week. The Group makes judgements to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows.

For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into arrears stages as this is considered to be the most reliable predictor of future payment performance. The level of impairment is calculated using actuarial models which use historical payment performance to generate the estimated amount and timing of future cash flows from each arrears stage of each product. The impairment models are reviewed regularly to take account of the current economic environment and recent customer payment performance. However, on the basis that the payment performance of customers could be different from the assumptions used in estimating future cash flows, an adjustment to the carrying value of amounts receivable from customers may be required. To the extent that the net present value of estimated cash flows differs by +/– 5%, it is estimated that amounts receivable from customers would be £39.2 million higher/lower (2012: £32.5 million).

IAS 39 requires that all of the cash flows directly associated with financial instruments held at amortised cost must be recognised in the income statement using the effective interest rate method. When this approach is applied to a customer loan portfolio, judgements must be made to estimate the average life of that portfolio. These judgements are applied, taking into account factors including the terms of the particular products and historical repayment data. These estimates are considered and updated as required in each reporting period to reflect the customer loan portfolio’s expected performance.

Retirement benefit asset or obligation

A number of judgements and estimates are made in assessing the amount of the retirement benefit asset or obligation at each balance sheet date, the key ones being discount rate, mortality rates, investment returns, salary inflation and the rate of pension increases. These judgements and estimates are derived after taking into account the requirements of IAS 19 ‘Retirement benefit obligations’ and after taking the advice of the Group’s actuaries.

Further details on the key assumptions used are set out in note 24.

Tax

The Group is subject to tax in a number of international jurisdictions as well as the UK. In some cases, due to the unusual features of home credit, the tax treatment of certain items cannot be determined with certainty until the operation has been subject to a tax audit. In some instances, this can be some years after the item has first been reflected in the Financial Statements. The Group recognises liabilities for anticipated tax audit and enquiry issues based on an assessment of whether it is probable that a liability will crystallise. If the outcome of such audits is that the final liability is different to the amount originally estimated, such differences will be recognised in the period in which the audit or enquiry is determined. Any differences may necessitate a material adjustment to the level of tax balances held in the balance sheet.

1. Segment analysis

Geographical segments

Group	Revenue 2013 £M	Revenue 2012 £M	Impairment 2013 £M	Impairment 2012 £M	Profit before taxation 2013 £M	Profit before taxation 2012** £M
Poland-Lithuania	**295.7**	268.8	**84.3**	79.5	**62.3**	54.9
Czech-Slovakia	**142.8**	133.4	**33.8**	34.2	**32.5**	27.1
Hungary	**97.6**	78.2	**18.4**	11.9	**19.4**	12.5
Mexico	**143.9**	114.1	**43.2**	32.3	**14.5**	9.2
Romania-Bulgaria	**66.8**	57.2	**18.9**	18.3	**3.1**	4.5
UK costs*	**–**	–	**–**	–	**(13.7)**	(13.1)
Total – pre-exceptional items	**746.8**	651.7	**198.6**	176.2	**118.1**	95.1
Exceptional items	**–**	–	**–**	–	**12.4**	(4.8)
Total	**746.8**	651.7	**198.6**	176.2	**130.5**	90.3

Group	Segment assets 2013 £M	Segment assets 2012 £M	Segment liabilities 2013 £M	Segment liabilities 2012 £M
Poland-Lithuania	**339.9**	291.1	**102.7**	75.8
Czech-Slovakia	**190.0**	172.8	**120.6**	73.1
Hungary	**127.2**	104.8	**58.9**	47.7
Mexico	**160.9**	116.9	**110.2**	70.3
Romania-Bulgaria	**73.0**	60.4	**40.3**	31.8
UK	**36.4**	34.5	**100.8**	106.0
Total	**927.4**	780.5	**533.5**	404.7

Group	Capital expenditure 2013 £M	Capital expenditure 2012 £M	Depreciation 2013 £M	Depreciation 2012 £M
Poland-Lithuania	**1.5**	1.1	**1.4**	1.5
Czech-Slovakia	**0.9**	1.3	**1.2**	2.0
Hungary	**2.6**	2.3	**1.5**	1.2
Mexico	**1.2**	0.7	**1.0**	1.0
Romania-Bulgaria	**0.8**	0.5	**0.7**	0.6
UK	**6.9**	3.5	**3.8**	3.5
Total	**13.9**	9.4	**9.6**	9.8

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

** 2012 profit before taxation numbers are restated for the new interest allocation policy implemented during 2013, where interest is allocated based on the Group's equity to receivables ratio and weighted average margin of debt funding.

All revenue comprises amounts earned on amounts receivable from customers.

The Group is domiciled in the UK and no revenue is generated in the UK. Total revenue from external customers is £746.8 million (2012: £651.7 million) and the breakdown by geographical area is disclosed above.

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £15.7 million (2012: £16.6 million), and the total of non-current assets located in other countries is £14.9 million (2012: £14.9 million).

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

Expenditure on intangible assets of £nil (2012: £1.5 million) and amortisation of £1.1 million (2012: £1.9 million) all relates to the UK.

The segments shown above are the segments for which management information is presented to the Board which is deemed to be the Group's chief operating decision maker. The Board considers the business from a geographic perspective.

2. Finance costs

Group	2013 £M	2012 £M
Interest payable on borrowings	**49.0**	41.6

3. Profit before taxation

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

Group	2013 £M	2012 £M
Depreciation of property, plant and equipment (note 13)	**9.6**	9.8
Loss/(profit) on disposal of property, plant and equipment	**3.1**	(0.2)
Amortisation of intangible assets (note 11)	**1.1**	1.9
Operating lease rentals:		
– property	**11.9**	12.6
– equipment	**9.6**	8.0
Employee costs (note 9)	**164.7**	146.1

4. Auditor's remuneration

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

Group	2013 £M	2012 £M
Fees payable to the Company auditor for the audit of the Parent Company and Consolidated Financial Statements	**0.1**	0.1
Fees payable to the Company auditor and its associates for other services:		
– audit of Company's subsidiaries pursuant to legislation	**0.3**	0.3
– other assurance services	**–**	0.1

Further details on auditor remuneration can be found in the Audit and Risk Committee Report on page 54.

5. Tax expense

Group	2013 £M	2012 £M
Total current tax	**44.2**	21.0
Total deferred tax (note 14)	**(9.3)**	(4.8)
Tax expense	**34.9**	16.2

Group	2013 £M	2012 £M
Tax charge/(credit) on other comprehensive income		
Deferred tax charge on net fair value gains – cash flow hedges	**–**	0.3
Deferred tax charge on actuarial gains on retirement benefit obligation	**0.4**	0.1
Current tax (credit)/charge on net fair value gains – cash flow hedges	**(0.3)**	0.3
	0.1	0.7

The rate of tax expense on the profit before taxation for the year ended 31 December 2013 is higher than (2012: lower than) the standard rate of corporation tax in the UK of 23.25% (2012: 24.50%). The differences are explained as follows:

Group	2013 £M	2012 £M
Profit before taxation	**130.5**	90.3
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	**30.3**	22.1
Effects of:		
– adjustment in respect of prior years	**0.7**	(7.9)
– adjustment in respect of foreign tax rates	**1.2**	(0.9)
– expenses not deductible for tax purposes	**1.9**	1.9
– impact of rate change on deferred tax asset	**0.8**	1.0
Total tax expense	**34.9**	16.2

In 2012 the adjustment in respect of prior years of £7.9 million includes a credit of £8.4 million resulting from a reduction in provisions for uncertain tax positions. This arose as a result of the Group refining its method to reflect the latest best estimate of probable future outflows of economic benefits. We currently have ongoing tax audits in Poland and Mexico and, while such proceedings are by their nature uncertain, we do not, at this stage, expect them to have a material impact on the tax charge when they are concluded.

6. Earnings per share

Basic earnings per share ('EPS') from continuing operations is calculated by dividing the earnings attributable to shareholders of £95.6 million (2012: £74.1 million) by the weighted average number of shares in issue during the period of 244.0 million (2012: 251.9 million) which has been adjusted to exclude the weighted average number of shares held by the employee trust.

For diluted EPS, the weighted average number of IPF plc ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

The weighted average number of shares used in the basic and diluted EPS calculations can be reconciled as follows:

Group	**2013 M**	2012 M
Used in basic EPS calculation	**244.0**	251.9
Dilutive effect of awards	**7.1**	6.9
Used in diluted EPS calculation	**251.1**	258.8

Basic and diluted EPS are presented below:

Group	**2013 pence**	2012 pence
Basic EPS	**39.18**	29.42
Dilutive effect of awards	**(1.11)**	(0.79)
Diluted EPS	**38.07**	28.63

The adjusted earnings per share, of 35.5 pence (2012: 27.6 pence), shown in the financial highlights of this report has been presented before exceptional items, in order to better present the performance of the Group. In 2012, the adjusted earnings per share was presented at a constant 27% tax rate and before exceptional items.

7. Dividends

Group and Company	**2013 £M**	2012 £M
Interim dividend of 3.80 pence per share (2012: interim dividend of 3.23 pence per share)	**9.4**	8.2
Final 2012 dividend of 4.51 pence per share (2012: final 2011 dividend of 4.10 pence per share)	**11.0**	10.4
	20.4	18.6

The directors are recommending a final dividend in respect of the financial year ended 31 December 2013 of 5.50 pence per share which will amount to a full year dividend payment of £22.4 million. If approved by the shareholders at the annual general meeting ('AGM'), this dividend will be paid on 9 May 2014 to shareholders who are on the register of members at 11 April 2014. This dividend is not reflected as a liability in the balance sheet as at 31 December 2013 as it is subject to shareholder approval.

8. Remuneration of key management personnel

The key management personnel (as defined by IAS 24 'Related party disclosures') of the Group are deemed to be the executive and non-executive directors of IPF and the members of the Senior Management Group.

	2013 £M	2012 £M
Short-term employee benefits	**5.7**	6.3
Post-employment benefits	**0.3**	0.3
Share-based payments	**1.2**	0.8
Total	**7.2**	7.4

Short-term employee benefits comprise salary/fees, bonus and benefits earned in the year.

Post-employment benefits represent the sum of (i) the increase in the transfer value of the accrued pension benefits (less contributions); (ii) Group contributions into personal pension arrangements; and (iii) contributions into the Group's stakeholder scheme.

For gains arising on executive directors' share options see page 76.

Disclosures in respect of the Group's directors are included in the Directors' Remuneration Report.

9. Employee information

The average number of persons employed by the Group (including directors) was as follows:

Group	2013 Number	2012 Number
Full-time*	6,505	6,086
Part-time**	3,336	3,199
	9,841	9,285

* Includes 167 agents in Hungary (2012: 118).

** Includes 2,718 agents in Hungary (2012: 2,615).

Typically agents are self-employed other than in Hungary where they are required by legislation to be employed.

The average number of employees by category was as follows:

Group	2013 Number	2012 Number
Operations	6,038	5,764
Administration	1,086	1,074
Head office and security	2,717	2,447
	9,841	9,285

Group employment costs for all employees (including directors) were as follows:

Group	2013 £M	2012 £M
Gross wages and salaries	131.4	118.8
Social security costs	29.1	24.4
Pension charge – defined contribution schemes (note 24)	1.1	0.9
Share-based payment charge (note 25)	3.1	2.0
Total	164.7	146.1

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10. Exceptional items

Group	2013 £M	2012 £M
Exceptional gain/(charge)	12.4	(4.8)
Tax	(3.0)	1.1
Post-tax exceptional gain/(charge)	9.4	(3.7)

Profit before taxation includes a £15.9 million profit on the sale of impaired receivables originating from loans issued in Poland and a write down in the carrying value of IT assets of £3.5 million. The impairment of IT assets arose from a review of future technology platforms that we need to support our growth strategy, which identified assets that are no longer compatible with this vision (2012: £4.8 million charge in respect of a management restructuring exercise designed to strengthen UK functional support teams and refresh the country management teams).

11. Intangible assets

Group	2013 £M	2012 £M
Net book value		
At 1 January	3.2	3.6
Additions	–	1.5
Disposals	(0.3)	–
Amortisation	(1.1)	(1.9)
At 31 December	1.8	3.2
Analysed as:		
– cost	26.4	26.7
– amortisation	(24.6)	(23.5)
At 31 December	1.8	3.2

Intangible assets comprise computer software.

The Company has no intangible assets.

12. Investment in subsidiaries

Company	2013 £M	2012 £M
Investment in subsidiaries	**663.6**	663.6
Share-based payment adjustment	**5.5**	3.5
	669.1	667.1

IPF plc acquired the international businesses of the Provident Financial plc Group on 16 July 2007 by issuing one IPF plc share to the shareholders of Provident Financial plc for each Provident Financial plc share held by them. The fair value of the consideration issued in exchange for the investment in these international businesses was £663.6 million and this amount was therefore capitalised as a cost of investment. £5.5 million (2012: £3.5 million) has been added to the cost of investment representing the fair value of the share-based payment awards over IPF plc shares made to employees of subsidiary companies of IPF plc. The corresponding credit has been taken to reserves.

The principal subsidiary companies of IPF plc, which are 100% owned by the Group, are detailed below:

Subsidiary company	Country of incorporation and operation	Principal activity
IPF Holdings Limited	England	Holding company
International Personal Finance Investments Limited	England	Holding company
IPF International Limited	England	Provision of services
IPF Financing Limited	England	Provision of services
Provident Polska S.A.	Poland	Home credit
IPF Investments Polska Sp. z o.o.	Poland	Provision of services
Provident Financial s.r.o.	Czech Republic	Home credit
Provident Financial s.r.o.	Slovakia	Home credit
Provident Financial Zrt.	Hungary	Home credit
Provident Mexico S.A. de C.V.	Mexico	Home credit
Provident Financial Romania IFN S.A.	Romania	Home credit
Provident Financial Bulgaria OOD	Bulgaria	Home credit

A full list of subsidiaries will be annexed to the next annual return of the Company to be filed with the Registrar of Companies. The trading operations of Lithuania are carried out through a branch of Provident Polska S.A. and consequently there is no separate subsidiary company for these operations.

13. Property, plant and equipment

Equipment and vehicles, fixtures and fittings:

	Group		Company	
	2013 £M	2012 £M	2013 £M	2012 £M
Cost				
At 1 January	**80.3**	78.7	**0.9**	0.8
Exchange adjustments	**(0.6)**	1.7	**–**	–
Additions	**13.9**	9.4	**–**	0.1
Disposals	**(9.0)**	(9.5)	**–**	–
At 31 December	**84.6**	80.3	**0.9**	0.9
Depreciation				
At 1 January	**52.0**	48.1	**0.4**	0.2
Exchange adjustments	**(0.5)**	1.3	**–**	–
Charge to the income statement	**9.6**	9.8	**0.2**	0.2
Disposals	**(5.3)**	(7.2)	**–**	–
At 31 December	**55.8**	52.0	**0.6**	0.4
Net book value at 31 December	**28.8**	28.3	**0.3**	0.5

14. Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using the appropriate tax rate for the jurisdiction in which the temporary difference arises. The movement in the deferred tax balance during the year can be analysed as follows:

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
At 1 January	**57.1**	50.1	**1.9**	1.5
Exchange differences	**(1.1)**	1.8	**–**	–
Credit/(charge) to the income statement	**9.3**	4.8	**(0.3)**	(0.1)
Tax charge on other comprehensive income	**(0.4)**	(0.4)	**(0.1)**	(0.1)
Tax credit on items taken directly to equity	**0.3**	0.8	**0.3**	0.6
At 31 December	**65.2**	57.1	**1.8**	1.9

An analysis of the deferred tax balance is set out below:

	Group				Company		
	Losses £M	Retirement benefit obligations £M	Other temporary differences £M	Total £M	Retirement benefit obligations £M	Other temporary differences £M	Total £M
At 1 January 2012	9.1	1.0	40.0	50.1	0.2	1.3	1.5
Exchange differences	0.2	–	1.6	1.8	–	–	–
Credit/(charge) to the income statement	2.8	(0.2)	2.2	4.8	–	(0.1)	(0.1)
Tax charge on other comprehensive income	–	(0.1)	(0.3)	(0.4)	(0.1)	–	(0.1)
Tax credit on items taken directly to equity	–	–	0.8	0.8	–	0.6	0.6
At 31 December 2012	12.1	0.7	44.3	57.1	0.1	1.8	1.9
At 1 January 2013	**12.1**	**0.7**	**44.3**	**57.1**	**0.1**	**1.8**	**1.9**
Exchange differences	**–**	**–**	**(1.1)**	**(1.1)**	**–**	**–**	**–**
Credit/(charge) to the income statement	**1.1**	**(0.1)**	**8.3**	**9.3**	**–**	**(0.3)**	**(0.3)**
Tax charge on other comprehensive income	**–**	**(0.4)**	**–**	**(0.4)**	**(0.1)**	**–**	**(0.1)**
Tax credit on items taken directly to equity	**–**	**–**	**0.3**	**0.3**	**–**	**0.3**	**0.3**
At 31 December 2013	**13.2**	**0.2**	**51.8**	**65.2**	**–**	**1.8**	**1.8**

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.

Deferred tax has not been provided on unremitted earnings of the Group's overseas subsidiaries as it is considered that any future distribution will fall within the UK's dividend exemption, and hence no exposure to UK tax is expected to arise.

15. Amounts receivable from customers

Group	2013 £M	2012 £M
Amounts receivable from customers comprise:		
– amounts due within one year	**739.1**	627.2
– amounts due in more than one year	**45.7**	23.1
	784.8	650.3

All lending is in the local currency of the country in which the loan is issued. The currency profile of amounts receivable from customers is as follows:

Group	2013 £M	2012 £M
Polish zloty	**310.0**	264.0
Czech crown	**114.4**	108.0
Euro	**55.6**	46.6
Hungarian forint	**112.5**	89.1
Mexican peso	**122.5**	87.1
Romanian leu	**69.0**	55.5
Lithuanian litas	**0.4**	–
Bulgarian lev	**0.4**	–
	784.8	650.3

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate ('EIR') of 126% (2012: 131%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 5.8 months (2012: 5.4 months).

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

Revenue recognised on amounts receivable from customers which have been impaired was £421.7 million (2012: £370.1 million).

Management monitor credit quality using two key metrics: impairment as a percentage of revenue and gross cash loss ('GCL') development. Detailed commentary on impairment as a percentage of revenue is set out in the operational review at both Group and market level. GCL represents the expected total value of contractual cash flows that will not be collected and will ultimately be written off for any loan or group of loans. Until collections on any group of receivables are complete, the GCL forecast is a composite of actual and expected cash flows. This represents a leading edge measure of credit quality with forecasts based on the actual performance of previous lending. At 31 December 2013 our preliminary GCL forecast was 12.2% compared to an outturn of 12.5% in 2012.

The Company has no amounts receivable from customers.

16. Cash and cash equivalents

	Group		Company	
	2013 £M	2012 £M	2013 £M	2012 £M
Cash at bank and in hand	**24.6**	24.2	**–**	–

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

	Group		Company	
	2013 £M	2012 £M	2013 £M	2012 £M
Sterling	**–**	0.1	**–**	–
Polish zloty	**8.0**	10.2	**–**	–
Czech crown	**4.1**	2.8	**–**	–
Euro	**1.5**	1.6	**–**	–
Hungarian forint	**3.3**	2.3	**–**	–
Mexican peso	**4.3**	4.3	**–**	–
Romanian leu	**2.6**	2.9	**–**	–
Lithuanian litas	**0.3**	–	**–**	–
Bulgarian lev	**0.5**	–	**–**	–
Total	**24.6**	24.2	**–**	–

17. Other receivables

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Other receivables	**2.8**	3.2	**–**	–
Prepayments	**11.6**	12.2	**0.9**	4.0
Amounts due from Group undertakings	**–**	–	**375.5**	272.0
Total	**14.4**	15.4	**376.4**	276.0

No balance within other receivables is impaired.

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

18. Trade and other payables

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Trade payables	**4.6**	5.0	**0.1**	0.6
Other payables including taxation and social security	**24.7**	21.3	**–**	–
Accruals	**73.5**	41.9	**19.4**	17.1
Amounts due to Group undertakings	**–**	–	**246.4**	222.4
Total	**102.8**	68.2	**265.9**	240.1

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

19. Borrowing facilities and borrowings

The Group and Company's borrowings are as follows:

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Borrowings				
Bank borrowings	**29.4**	69.2	**0.7**	11.5
Bonds	**371.1**	241.6	**331.6**	201.7
Total	**400.5**	310.8	**332.3**	213.2

The Group's external bonds comprise the following:

Bond	Coupon %	Maturity date	**2013 £M**
€225.0 million EMTN	11.500	2015	**186.8**
£101.5 million retail bond	6.125	2020	**101.5**
Polish zloty 200.0 million PMTN	Six month WIBOR plus 750 basis points	2015	**40.1**
Romanian lei 60.5 million EMTN	8.100	2016	**11.3**
Hungarian forint 4.0 billion EMTN	11.000	2018	**11.2**
Czech crown 280.0 million EMTN	8.500	2015	**8.5**
Czech crown 250.0 million EMTN	5.250	2018	**7.6**
Romanian lei 29.5 million EMTN	12.000	2014	**5.5**
Czech crown 100.0 million EMTN	9.000	2016	**3.0**
			375.5
Less: unamortised arrangement fees			**(4.4)**
			371.1

The Polish zloty 200 million (£40.1million) bonds are floating rate bonds, although derivative contracts have been used to fix borrowing costs for a period of 15 months up to March 2015. All of the external bank borrowings of the Group are at floating rates.

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19. Borrowing facilities and borrowings continued

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

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Borrowings				
Repayable:				
– in less than one year	**14.4**	16.4	**6.2**	5.1
– between one and two years	**247.5**	14.3	**193.1**	6.7
– between two and five years	**38.3**	280.1	**32.7**	201.4
– greater than five years	**100.3**	–	**100.3**	–
Total	**400.5**	310.8	**332.3**	213.2

The average period to maturity of the Group's external bonds and committed external borrowing facilities is 2.5 years (2012: 2.2 years).

The currency exposure on external borrowings is as follows:

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Sterling	**101.0**	11.4	**101.0**	11.5
Polish zloty	**46.5**	45.2	**–**	–
Czech crown	**23.3**	24.8	**18.7**	12.3
Euro	**186.9**	186.6	**185.1**	182.7
Hungarian forint	**17.9**	7.7	**10.8**	–
Mexican peso	**8.2**	28.4	**–**	–
Romanian leu	**16.7**	6.7	**16.7**	6.7
Total	**400.5**	310.8	**332.3**	213.2

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

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Bond and bank facilities available				
Repayable:				
– on demand	**14.0**	11.4	**5.0**	5.0
– in less than one year	**31.3**	64.8	**5.5**	22.4
– between one and two years	**361.3**	26.8	**255.9**	6.7
– between two and five years	**67.7**	367.3	**33.1**	247.8
– greater than five years	**101.5**	–	**101.5**	–
Total	**575.8**	470.3	**401.0**	281.9

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

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Expiring within one year	**30.9**	59.8	**4.3**	22.3
Expiring between one and two years	**113.8**	12.5	**62.8**	–
Expiring in more than two years	**30.6**	87.2	**1.6**	46.4
Total	**175.3**	159.5	**68.7**	68.7

20. Risks arising from financial instruments

Risk management

Treasury related risks

The Board approves treasury policies and the treasury function manages the day-to-day operations. The Board delegates certain responsibilities to the Treasury Committee. The Treasury Committee, which is chaired by the Chief Financial Officer, is empowered to take decisions within that delegated authority. Treasury activities and compliance with the treasury policies are reported to the Board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risk; interest rate risk; currency risk; and counterparty risk. This is to ensure that the Group is properly funded; that interest rate and currency risk is managed within set limits; and that financial counterparties are of appropriate credit quality. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps, currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken and written options may only be used when matched by purchased options.

Liquidity risk

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The short-term nature of the Group's business means that the majority of amounts receivable from customers are receivable within 12 months with an average period to maturity of less than six months. The risk of not having sufficient liquid resources is therefore low. The treasury policy adopted by the Group serves to reduce this risk further by setting a specific policy parameter that there are sufficient committed debt facilities to cover forecast borrowings plus operational headroom plus appropriate stress-testing for the next 18 months on a rolling basis. Further, the aim is to ensure that there is a balanced refinancing profile with phased maturity dates; that there is diversification of debt funding sources; that there is no over-reliance on a single or small group of lenders; and that the debt facilities are sufficient for the currency requirements of each country. At 31 December 2013, the Group's bonds and committed borrowing facilities had an average period to maturity of 2.5 years (2012: 2.2 years). As shown in note 19, total undrawn facilities as at 31 December 2013 were £175.3 million (2012: £159.5 million).

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

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Not later than six months	**29.3**	16.1	**20.9**	11.6
Later than six months and not later than one year	**21.8**	35.6	**16.3**	16.9
Later than one year and not later than two years	**275.1**	42.7	**217.4**	29.1
Later than two years and not later than five years	**62.2**	299.8	**56.1**	215.0
Later than five years	**109.9**	–	**109.9**	–
	498.3	394.2	**420.6**	272.6

The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating interest rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the balance sheet date.

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities, and interest rate swap derivative liabilities which are all designated as cash flow hedges:

	2013		2012	
Group	**Outflow £M**	**Inflow £M**	Outflow £M	Inflow £M
Not later than one month	**45.3**	**45.4**	7.9	7.7
Later than one month and not later than six months	**114.1**	**115.2**	138.7	138.1
Later than six months and not later than one year	**78.0**	**77.9**	49.0	46.7
Later than one year and not later than two years	**36.6**	**34.9**	33.1	32.0
Later than two years and not later than five years	**18.3**	**16.9**	1.6	1.6
	292.3	**290.3**	230.3	226.1

20. Risks arising from financial instruments continued

Company	2013 Outflow £M	2013 Inflow £M	2012 Outflow £M	2012 Inflow £M
Not later than one month	**0.7**	**0.7**	0.8	0.8
Later than one month and not later than six months	**2.2**	**2.0**	2.5	2.4
Later than six months and not later than one year	**4.0**	**3.7**	1.4	1.3
Later than one year and not later than two years	**1.5**	**0.9**	–	–
Later than two years and not later than five years	**18.3**	**16.9**	–	–
	26.7	**24.2**	4.7	4.5

When the amount payable or receivable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the interest rate yield curves existing at the balance sheet date.

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

Group	Receivables £M	Percentage of total %	Borrowing facilities £M	Percentage of total %
2012				
Less than one year	627.2	96.4	76.2	16.2
Later than one year	23.1	3.6	394.1	83.8
	650.3	100.0	470.3	100.0
2013				
Less than one year	**739.1**	**94.2**	**45.3**	**7.9**
Later than one year	**45.7**	**5.8**	**530.5**	**92.1**
	784.8	**100.0**	**575.8**	**100.0**

This demonstrates the short-term nature of the amounts receivable from customers which contrasts with the longer-term nature of the Group's committed funding facilities.

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

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates in each of its countries of operation and, therefore, seeks to limit this net exposure. This is achieved by the use of techniques to fix interest costs, including fixed rate funding, (predominantly longer-term bond funding); forward currency contracts used for non-functional currency funding; bank borrowing loan draw-down periods; and interest rate hedging instruments. These techniques are used to hedge the interest costs on a proportion of borrowings over a certain period of time, up to seven years, although most hedging is for up to two years.

Interest costs are a relatively low proportion of the Group's revenue (6.6% in 2013; 6.4% in 2012) and therefore the risk of a material impact on profitability arising from a change in interest rates is low. If interest rates across all markets increased by 200 basis points this would have the following impact:

Group	2013 £M	2012 £M
Increase in fair value of derivatives taken to equity	**0.7**	1.7
Reduction in profit before taxation	**0.4**	0.8

This sensitivity analysis is based on the following assumptions:

- the change in the market interest rate occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rate affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk: net asset exposure; cash flow exposure; and income statement exposure.

20. Risks arising from financial instruments continued

Net asset exposure

The majority of the Group's net assets are denominated in currencies other than sterling. The balance sheet is reported in sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have a material impact on the net assets of the Group. The impact in 2013 is a decrease in net assets of £3.9 million (2012: increase of £11.7 million). The Group aims to minimise the value of net assets denominated in each foreign currency by funding overseas receivables with borrowings in local currency, where possible.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are expected to arise in the following 12 months. Where forward foreign exchange contracts have been entered into, they are designated as cash flow hedges on specific future transactions.

Income statement exposure

As with net assets, the majority of the Group's profit is denominated in currencies other than sterling but translated into sterling for reporting purposes. The result for the period is translated into sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rates in the countries in which the Group operates will have a material impact on the consolidated result for the period.

The following sensitivity analysis demonstrates the impact on equity of a 5% strengthening or weakening of sterling against all exchange rates for the countries in which the Group operates:

Group	**2013 £M**	2012 £M
Change in reserves	**5.8**	0.8
Change in profit before taxation	**7.7**	0.9

This sensitivity analysis is based on the following assumptions:

- there is a 5% strengthening/weakening of sterling against all currencies in which the Group operates (Polish zloty, Lithuanian litas, Czech crown, euro, Hungarian forint, Mexican peso, Romanian leu and Bulgarian lev); and
- there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Counterparty risk

The Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks; and foreign currency and derivative financial instruments.

The Group only deposits cash, and only undertakes currency and derivative transactions, generally with highly rated banks and sets strict limits in respect of the amount of exposure to any one institution. Institutions with lower credit ratings can only be used with Board approval.

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

Group	**2013 £M**	2012 £M
Cash and cash equivalents	**24.6**	24.2
Derivative financial assets	**6.5**	–
Total	**31.1**	24.2

The above table represents a worst case scenario of the counterparty risk that the Group is exposed to at the year end. An analysis of the cash and cash equivalents by geographical segment is presented in note 16.

Cash and cash equivalents and derivative financial instruments are neither past due nor impaired. Credit quality of these assets is good and the cash and cash equivalents are spread over a number of banks, each of which meets the criteria set out in our treasury policies, to ensure the risk of loss is minimised.

20. Risks arising from financial instruments continued

Credit risk

The Group is subject to credit risk in respect of amounts receivable from customers.

Amounts receivable from customers

The Group lends small amounts over short-term periods to a large and diverse group of customers across the countries in which it operates. Nevertheless, the Group is subject to a risk of material unexpected credit losses in respect of amounts receivable from customers. This risk is minimised by the use of credit scoring techniques which are designed to ensure the Group only lends to those customers who we believe can afford the repayments. The amount lent to each customer and the repayment period agreed are dependent upon the risk category the customer is assigned to as part of the credit scoring process. The level of expected future losses is generated on a weekly basis by geographical segment. These outputs are reviewed by management to ensure that appropriate action can be taken if results differ from management expectations.

Group	2013 £M	2012 £M
Amounts receivable from customers	**784.8**	650.3

The table above represents the maximum exposure to credit risk of the Group at the year end. An analysis of the amounts receivable from customers by geographical segment is presented in note 15.

Amounts receivable from customers are stated at amortised cost and calculated in accordance with the Group's accounting policies. Those amounts receivable from customers that are neither past due nor impaired represent loans where no customer payments have been missed and there is, therefore, no evidence to suggest that the credit quality is anything other than adequate.

Amounts receivable from customers include £7.2 million that is past due but not impaired. This is in relation to the first four weeks of loans for new customers, and allows a repayment pattern to be established (2012: £5.6 million).

An analysis of the amounts receivable from customers that are individually determined to be impaired is set out by geographical segment below:

	Not impaired		Impaired	
Group	2013 £M	2012 £M	2013 £M	2012 £M
Poland-Lithuania	**88.7**	71.4	**221.7**	192.6
Czech-Slovakia	**53.1**	48.2	**116.9**	106.4
Hungary	**40.3**	36.7	**72.2**	52.4
Mexico	**36.0**	19.9	**86.5**	67.2
Romania-Bulgaria	**26.0**	20.1	**43.4**	35.4
	244.1	196.3	**540.7**	454.0

This analysis includes all loans that have been subject to impairment. The impairment charge is based on the average expected loss for each arrears stage of customer receivables and this average expected loss is applied to the entire arrears stage. This results in a significant proportion of the amounts receivable from customers attracting an impairment charge. For each market the amount by which an asset is impaired depends on the type of product, the recent payment performance and the number of weeks since the loan was issued. There will, therefore, be a large amount of receivables which are classed as impaired but where the carrying value is still a large proportion of the contractual amount recoverable. Annualised impairment as a percentage of revenue for each geographical segment is shown below:

Group	2013 %	2012 %
Poland-Lithuania	**28.5**	29.6
Czech-Slovakia	**23.7**	25.6
Hungary	**18.9**	15.2
Mexico	**30.0**	28.3
Romania-Bulgaria	**28.3**	32.0

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2012: £nil).

20. Risks arising from financial instruments continued

Capital risk

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is not required to hold regulatory capital.

The Group aims to maintain appropriate capital to ensure that it has a strong balance sheet but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

Capital is monitored by considering the ratio of equity to receivables and the gearing ratio. The equity of the Group and these ratios are shown below:

Group	2013 £M	2012 £M
Receivables	**784.8**	650.3
Borrowings	**(400.5)**	(310.8)
Other net assets	**9.6**	36.3
Equity	**393.9**	375.8
Equity as % of receivables	**50.2%**	57.8%
Gearing	**1.0**	0.8

Equity as a percentage of receivables was above the Group's internally set target.

Gearing, which is equal to borrowings divided by equity, at a ratio of 1.0 times (2012: 0.8 times), is well within covenant limits of 3.75 times.

21. Derivative financial instruments

Fair value estimation

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).

Where fair values are disclosed for financial assets and liabilities not carried at fair value, all such assets are classed as Level 1, with the exception of disclosures relating to amounts receivable from customers which are classed as Level 3. Details of the significant assumptions in relation to amounts receivable from customers are included in note 23 along with the fair value of other Group assets and liabilities. All of the Group's financial instruments fall into hierarchy level 2.

The Group's derivative assets and liabilities that were measured at fair value at 31 December are as follows:

Group	2013 £M	2012 £M
Assets		
Foreign currency contracts	**6.5**	–
Total	**6.5**	–

Group	2013 £M	2012 £M
Liabilities		
Interest rate swaps	**0.5**	0.8
Foreign currency contracts	**3.2**	0.6
Total	**3.7**	1.4

Company	2013 £M	2012 £M
Liabilities		
Foreign currency contracts	**0.4**	–
Total	**0.4**	–

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December.

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21. Derivative financial instruments continued

Cash flow hedges

The Group uses foreign currency contracts ('cash flow hedges') to hedge those foreign currency cash flows that are highly probable to occur within 12 months of the balance sheet date and interest rate swaps ('cash flow hedges') to hedge those interest cash flows that are expected to occur within two years of the balance sheet date. The effect on the income statement will also be within these periods. An amount of £0.5 million has been charged to equity for the Group in the period in respect of cash flow hedges (2012: credit of £2.1 million), Company: £0.5 million charge (2012: £nil).

Foreign currency contracts

The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2013 is £281.9 million (2012: £229.9 million). These comprise:

- foreign currency contracts to buy or sell operational currencies against the euro for a total notional amount of £205.4 million (2012: £222.1 million). These contracts have various maturity dates up to June 2015 (2012: January 2015). These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity;
- foreign currency contracts to buy or sell various currencies for a total notional amount of £0.4 million (2012: £1.3 million). These contracts have various maturity dates up to November 2014 (2012: December 2013). These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity; and
- foreign currency contracts to buy or sell sterling for a total notional amount of £76.1 million (2012: £6.5 million). These contracts have various maturity dates up to November 2018 (2012: March 2013). These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity.

The total notional amount of outstanding foreign currency contracts that the Company is committed to at 31 December 2013 is £19.4 million (2012: £4.7 million). These comprise:

- foreign currency contracts to buy or sell operational currencies against the euro for a total notional amount of £3.2 million (2012: £4.1million). All of these contracts are held with external providers to buy and sell currency and have equal and offsetting contracts with other Group companies to buy and sell the same amounts of currency. This leaves the Company with no residual risk and ensures the relevant subsidiary company has an effective foreign currency contract in its books;
- foreign currency contracts to buy or sell sterling for a total notional amount of £2.3 million (2012: £0.6 million). All of these contracts are held with external providers to buy and sell currency and have equal and offsetting contracts with other Group companies to buy and sell the same amounts of currency. This leaves the Company with no residual risk and ensures the relevant subsidiary company has an effective foreign currency contract in its books; and
- foreign currency contracts to buy or sell sterling for a total notional amount of £13.9 million (2012: £nil). These contracts have various maturity dates up to November 2018 (2012: £nil). These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity.

Interest rate swaps

The total notional principal of outstanding interest rate swaps that the Group is committed to is £57.0 million (2012: £130.9 million). In 2013, these interest rate swaps cover a proportion of current borrowings relating to the floating rate Polish bond and a proportion of floating rate bank borrowings.

Interest rate swaps in place at the balance sheet date are designated, and are effective under IAS 39, as cash flow hedges, and the fair value thereof has been deferred in equity within the hedging reserve. A charge of £0.1 million (2012: £nil) has been made to the income statement in the year representing the movement in the fair value of the ineffective portion of the interest rate swaps and the income statement charge relating to the closure of interest rate swaps.

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

	2013			2012		
Group	**Weighted average interest rate %**	**Range of interest rates %**	**Weighted average period to maturity Years**	Weighted average interest rate %	Range of interest rates %	Weighted average period to maturity Years
Polish zloty	**4.1**	**2.5 - 5.0**	**0.6**	4.9	3.9 - 5.8	0.8
Mexican peso	**5.0**	**5.0 - 5.0**	**1.2**	5.4	5.0 - 5.9	1.0

The Company did not hold any interest rate swaps at 31 December 2013 (31 December 2012: £nil).

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22. Analysis of financial assets and financial liabilities

Financial assets

An analysis of Group financial assets is presented below:

Group	2013 Loans and receivables £M	2013 Derivatives used for hedging £M	2013 Total £M	2012 Loans and receivables £M	2012 Derivatives used for hedging £M	2012 Total £M
Amounts receivable from customers	**784.8**	**–**	**784.8**	650.3	–	650.3
Derivative financial instruments	**–**	**6.5**	**6.5**	–	–	–
Cash and cash equivalents	**24.6**	**–**	**24.6**	24.2	–	24.2
Other receivables	**14.4**	**–**	**14.4**	15.4	–	15.4
Current tax assets	**1.3**	**–**	**1.3**	2.0	–	2.0
	825.1	**6.5**	**831.6**	691.9	–	691.9

Financial liabilities

An analysis of Group financial liabilities is presented below:

Group	2013 Financial liabilities at amortised cost £M	2013 Derivatives used for hedging £M	2013 Total £M	2012 Financial liabilities at amortised cost £M	2012 Derivatives used for hedging £M	2012 Total £M
Bonds	**371.1**	**–**	**371.1**	241.6	–	241.6
Bank borrowings	**29.4**	**–**	**29.4**	69.2	–	69.2
Derivative financial instruments	**–**	**3.7**	**3.7**	–	1.4	1.4
Trade and other payables	**102.8**	**–**	**102.8**	68.2	–	68.2
Current tax liabilities	**25.6**	**–**	**25.6**	21.1	–	21.1
	528.9	**3.7**	**532.6**	400.1	1.4	401.5

23. Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below:

Group	2013 Fair value £M	2013 Carrying value £M	2012 Fair value £M	2012 Carrying value £M
Financial assets				
Amounts receivable from customers	**1,079.7**	**784.8**	943.5	650.3
Derivative financial instruments	**6.5**	**6.5**	–	–
Cash and cash equivalents	**24.6**	**24.6**	24.2	24.2
Other receivables	**14.4**	**14.4**	15.4	15.4
Current tax assets	**1.3**	**1.3**	2.0	2.0
	1,126.5	**831.6**	985.1	691.9
Financial liabilities				
Bonds	**401.9**	**371.1**	272.8	241.6
Bank borrowings	**29.4**	**29.4**	69.2	69.2
Derivative financial instruments	**3.7**	**3.7**	1.4	1.4
Trade and other payables	**102.8**	**102.8**	68.2	68.2
Current tax liabilities	**25.6**	**25.6**	21.1	21.1
	563.4	**532.6**	432.7	401.5

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.

23. Fair values of financial assets and liabilities continued

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.

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

Derivative financial instruments are held at fair value which is equal to the expected future cash flows arising as a result of the derivative transaction.

For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of the fair value.

24. Retirement benefit obligations

Pension schemes – defined benefit

With effect from 1 March 2010, the Group's defined benefit pension scheme was closed to further accrual of defined benefit obligations, with all members being offered the opportunity to join a money purchase scheme.

Scheme assets are stated at fair value at 31 December 2013. The major assumptions used by the actuary were:

Group and Company	**2013 %**	2012 %
Price inflation ('CPI')	**2.6**	2.4
Rate of increase to pensions in payment	**3.3**	2.9
Discount rate	**4.6**	4.5

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Upon transitioning to IAS 19 (revised) 'Employee benefits' (effective 1 January 2013), the income statement charge does not make any allowance for the expected return on assets and, instead, uses the discount rate. Therefore, the expected return on assets for 2013 has been derived using the discount rate from 2012 in the table above.

The mortality assumptions are based on standard tables which allow for future mortality improvements. Different assumptions are used for different groups of members. Most members have not yet retired. On average, we expect a male retiring in the future at age 65 to live for a further 28 years. On average, we expect a female retiring in the future at age 65 to live for a further 29 years. If life expectancies had been assumed to be one year greater for all members, the charge to the income statement would have increased by £0.1 million and the present value of defined benefit obligations would have increased by approximately £1.8 million.

If the discount rate is 250 basis points higher/(lower), the defined benefit obligation would decrease by £1.9 million/(increase by £2.0 million).

If the price inflation rate is 250 basis points higher/(lower), the defined benefit obligation would increase by £0.9 million/(decrease by £0.9 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The amounts recognised in the balance sheet are as follows:

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Equities	**18.2**	16.2	**4.0**	3.7
Bonds	**8.2**	6.9	**1.8**	1.5
Index-linked gilts	**6.7**	4.5	**1.5**	1.0
Other	**0.1**	2.4	**–**	0.5
Total fair value of scheme assets	**33.2**	30.0	**7.3**	6.7
Present value of funded defined benefit obligations	**(34.1)**	(33.2)	**(7.5)**	(7.3)
Net obligation recognised in the balance sheet	**(0.9)**	(3.2)	**(0.2)**	(0.6)

24. Retirement benefit obligations continued

The amounts recognised in the income statement are as follows:

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Interest cost	**1.5**	1.5	**0.3**	0.3
Expected return on scheme assets	**(1.4)**	(1.5)	**(0.2)**	(0.3)
Net cost recognised in the income statement	**0.1**	–	**0.1**	–

The net cost is included within administrative expenses.

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

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Fair value of scheme assets at 1 January	**30.0**	32.1	**6.7**	7.1
Expected return on scheme assets	**1.3**	1.5	**0.2**	0.3
Actuarial gains on scheme assets	**2.1**	1.8	**0.5**	0.4
Contributions by the Group	**0.5**	0.2	**0.1**	0.1
Net benefits paid out	**(0.7)**	(5.6)	**(0.2)**	(1.2)
Fair value of scheme assets at 31 December	**33.2**	30.0	**7.3**	6.7

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

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Defined benefit obligation at 1 January	**(33.2)**	(36.1)	**(7.3)**	(7.9)
Interest cost	**(1.4)**	(1.5)	**(0.3)**	(0.3)
Actuarial losses on scheme liabilities	**(0.2)**	(1.2)	**–**	(0.3)
Net benefits paid out	**0.7**	5.6	**0.1**	1.2
Defined benefit obligation at 31 December	**(34.1)**	(33.2)	**(7.5)**	(7.3)

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

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Expected return on scheme assets	**1.3**	1.5	**0.2**	0.3
Actuarial gains on scheme assets	**2.1**	1.8	**0.5**	0.4
Actual return on scheme assets	**3.4**	3.3	**0.7**	0.7

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

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

	Group		Company	
	2013 £M	2012 £M	**2013 £M**	2012 £M
Actuarial gains on scheme assets	**2.1**	1.8	**0.5**	0.4
Actuarial losses on scheme liabilities	**(0.2)**	(1.2)	**–**	(0.3)
Total gain recognised in the SOCI in the year	**1.9**	0.6	**0.5**	0.1
Cumulative amount of losses recognised in the SOCI	**(14.7)**	(16.6)	**(3.2)**	(3.7)

24. Retirement benefit obligations continued

The history of experience adjustments is as follows:

Group	2013	2012	2011*	2010*	2009*
Experience gains/(losses) on scheme assets:					
– amount (£M)	**2.1**	1.8	(1.2)	1.6	3.2
– percentage of scheme assets (%)	**6.3**	6.0	(3.7)	4.6	10.4
Experience (losses)/gains on scheme liabilities:					
– amount (£M)	**–**	–	(1.3)	–	0.7
– percentage of scheme liabilities (%)	**–**	–	(3.6)	–	1.8

Company	2013	2012	2011*	2010*	2009*
Experience gains/(losses) on scheme assets:					
– amount (£M)	**0.5**	0.4	(0.3)	0.3	0.7
– percentage of scheme assets (%)	**6.8**	6.0	(4.2)	3.9	10.3
Experience (losses)/gains on scheme liabilities:					
– amount (£M)	**–**	–	(0.3)	–	0.2
– percentage of scheme liabilities (%)	**–**	–	(3.8)	–	2.4

*As required under IAS 19.

Pension schemes – defined contribution

The defined benefit pension scheme is no longer open to further accrual. All eligible UK employees are invited to join stakeholder pension plans into which the Group contributes between 8% and 20% of members' pensionable earnings, provided the employee contributes a minimum of 5%. The assets of the scheme are held separately from those of the Group. The pension charge in the income statement represents contributions payable by the Group in respect of the plan and amounted to £1.0 million for the year ended 31 December 2013 (2012: £0.8 million). £nil of contributions were payable to the plan at the year end (2012: £nil).

In addition, an amount of £0.1 million (2012: £0.1 million) has been charged to the income statement in respect of contributions into personal pension arrangements for certain directors and employees.

25. Share-based payments

The Group currently operates four categories of share schemes: The International Personal Finance plc Performance Share Plan ('the Performance Share Plan'); The International Personal Finance plc Approved Company Share Option Plan ('the CSOP'); The International Personal Finance plc Employee Savings-Related Share Option Scheme ('the SAYE scheme'); and The International Personal Finance plc Deferred Share Plan ('the Deferred Share Plan'). A number of awards have been granted under these schemes during the period under review.

All schemes granted under both plans are subject to a total shareholder return ('TSR') performance target and certain schemes granted in the Performance Share Plan and CSOP also include earnings per share ('EPS') growth; net revenue growth; customer numbers growth; and agent turnover performance targets. The income statement charge in respect of the Performance Share Plan and the CSOP has been calculated using both a Monte Carlo simulation (for TSR) and Black-Scholes model (for the other non-market related conditions) as these schemes include performance targets. The income statement charge in respect of the SAYE scheme is calculated using a Monte Carlo simulation model, however no TSR targets are assigned. As there are no additional performance criteria attached to the Deferred Share Plan the income statement charge is calculated using the actual share price at the date the award is granted. The total income statement charge in respect of these share-based payments is £3.1 million (2012: £2.0 million).

25. Share-based payments continued

The fair value per award granted and the assumptions used in the calculation of the share-based payment charge are as follows:

Group and Company	SAYE schemes	CSOPs	Deferred Share Plan	Performance Share Plan
Grant date	2013	2013	2013	2013
Share price at award date	4.55–5.82	4.85–6.57	4.21	4.85 – 6.57
Base price for TSR	n/a	4.01–5.25	4.23	4.01 – 5.25
Exercise price	3.88–5.09	4.75–6.36	n/a	nil
Vesting period (years)	3 and 5	3–4	3–4	3–4
Expected volatility	48.6–60.5%	48.2–61.1%	49.0%	48.2%
Award life (years)	Up to 5	3	3	3
Expected life (years)	Up to 5	3	3	3
Risk-free rate	1.7–2.8%	2.1–2.4%	1.7%	2.4%
Expected dividends expressed as a dividend yield	1.3–1.6%	1.2–1.5%	1.7%	1.2%
Deferred portion	n/a	50.0%	50.0%	50.0%
TSR threshold	n/a	30.0%	30.0%	30.0%
TSR maximum target	n/a	60.0%	60.0%	60.0%
EPS threshold	n/a	n/a and 6.0%	n/a	n/a and 6.0%
EPS maximum target	n/a	n/a and 15.0%	n/a	n/a and 15.0%
Net revenue threshold	n/a	n/a and 5.0%	n/a	n/a and 5.0%
Net revenue maximum target	n/a	n/a and 12.0%	n/a	n/a and 12.0%
Customer numbers threshold	n/a	n/a and 10.0%	n/a	n/a and 10.0%
Customer numbers target	n/a	n/a and 25.0%	n/a	n/a and 25.0%
Agent turnover threshold	n/a	n/a and 50.0%	n/a	n/a and 50.0%
Agent turnover target	n/a	n/a and 40.0%	n/a	n/a and 40.0%
Fair value per award (£)	2.88–3.95	1.56–2.49	2.13 – 4.00	4.05–6.26

No exercise price is payable in respect of awards made under the Performance Share Plan or the Deferred Share Plan. The risk-free rate of return is the yield on zero coupon UK government bonds with a remaining term equal to the expected life of the award.

Further detail in respect of the Performance Share Plan, CSOP, Deferred Share Plan and SAYE scheme is given in the Directors' Remuneration Report.

The movements in awards during the year for the Group are outlined in the table below:

	SAYE schemes		CSOPs		Deferred Share Plans		Performance Share Plans	
Group	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January 2012	584,832	1.45	604,520	2.27	577,486	–	4,138,743	–
Granted	195,138	2.15	115,437	3.12	662,874	–	1,767,075	–
Expired/lapsed	(61,439)	2.27	(14,416)	2.13	–	–	(337,181)	–
Exercised	(231,783)	1.13	–	–	–	–	(162,226)	–
Outstanding at 31 December 2012	486,748	1.78	705,541	2.42	1,240,360	–	5,406,411	–
Outstanding at 1 January 2013	**486,748**	**1.78**	**705,541**	**2.42**	**1,240,360**	**–**	**5,406,411**	**–**
Granted	**68,842**	**4.42**	**52,074**	**5.18**	**492,731**	**–**	**970,911**	**–**
Expired/lapsed	**(74,629)**	**2.17**	**(92,276)**	**2.54**	**(22,139)**	**–**	**(775,038)**	**–**
Exercised	**(74,721)**	**1.58**	**(183,510)**	**2.13**	**–**	**–**	**(638,148)**	**–**
Outstanding at 31 December 2013	**406,240**	**2.19**	**481,829**	**2.80**	**1,710,952**	**–**	**4,964,136**	**–**

The weighted average share price at the date of exercise for the share options exercised during the year was £5.98.

25. Share-based payments continued

The movements in awards during the year for the Company are outlined in the table below:

Company	SAYE schemes Number	SAYE schemes Weighted average exercise price	CSOPs Number	CSOPs Weighted average exercise price	Deferred Share Plans Number	Deferred Share Plans Weighted average exercise price	Performance Share Plans Number	Performance Share Plans Weighted average exercise price
Outstanding at 1 January 2012	314,880	1.44	381,191	2.21	274,990	–	1,789,363	–
Granted	91,611	2.15	34,142	3.12	425,222	–	862,062	–
Transferred	28,257	1.44	–	–	–	–	9,982	–
Expired/lapsed	(25,560)	2.16	(6,271)	3.15	–	–	(58,862)	–
Exercised	(114,178)	1.12	–	–	–	–	–	–
Outstanding at 31 December 2012	295,010	1.79	409,062	2.27	700,212	–	2,602,545	–
Outstanding at 1 January 2013	**295,010**	**1.79**	**409,062**	**2.27**	**700,212**	**–**	**2,602,545**	**–**
Granted	**40,192**	**4.42**	**34,716**	**5.18**	**324,750**	**–**	**425,902**	**–**
Transferred	**(18,555)**	**1.79**	**(35,250)**	**2.27**	**(29,895)**	**–**	**(247,186)**	**–**
Expired/lapsed	**(26,016)**	**2.31**	**(1,602)**	**2.13**	**–**	**–**	**(90,152)**	**–**
Exercised	**(47,699)**	**1.67**	**(141,168)**	**2.13**	**–**	**–**	**(394,002)**	**–**
Outstanding at 31 December 2013	**242,932**	**2.15**	**265,758**	**2.70**	**995,067**	**–**	**2,297,107**	**–**

The weighted average share price at the date of exercise for the share options exercised during the year was £5.96.

26. Share capital

Company

	2013 £M	2012 £M
At 1 January	**24.9**	25.7
Own shares acquired	**(0.9)**	(0.8)
At 31 December	**24.0**	24.9

Share capital consists of 239,705,096 fully paid up shares (2012: 249,425,087 fully paid up shares) at a nominal value of 10 pence. During the year the Company acquired £0.9 million of the issued share capital as part of its £60 million share buyback programme to optimise the amount of equity capital on the balance sheet and enhance shareholder returns.

All of the 9,719,991 shares acquired were cancelled.

The Company has one class of ordinary shares which carry no right to fixed income.

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

	Group 2013 £M	Group 2012 £M	Company 2013 £M	Company 2012 £M
Profit/(loss) after taxation	**95.6**	74.1	**34.5**	(19.5)
Adjusted for:				
– tax charge/(credit)	**34.9**	16.2	**(6.0)**	(5.7)
– finance costs	**49.0**	41.6	**42.7**	33.0
– finance income	**–**	–	**(29.3)**	(24.3)
– share-based payment charge	**3.1**	2.0	**2.5**	1.7
– defined benefit pension charge (note 24)	**0.1**	–	**–**	–
– depreciation of property, plant and equipment (note 13)	**9.6**	9.8	**0.2**	0.2
– loss/(profit) on disposal of property, plant and equipment (note 3)	**3.1**	(0.2)	**–**	–
– amortisation of intangible assets (note 11)	**1.1**	1.9	**–**	–
– loss on disposal of intangible assets	**0.3**	–	**–**	
Changes in operating assets and liabilities:				
– amounts receivable from customers	**(143.1)**	(74.4)	**–**	–
– other receivables	**0.9**	4.1	**(104.3)**	(4.9)
– trade and other payables	**35.2**	10.0	**28.3**	70.5
– retirement benefit obligation	**(0.5)**	(0.2)	**0.1**	(0.1)
– derivative financial instruments	**(5.1)**	13.3	**(0.1)**	–
Cash generated from/(used in) operating activities	**84.2**	98.2	**(31.4)**	50.9

28. Commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	2013 £M	2012 £M
In less than one year	**16.0**	15.1
In more than one year but not later than five years	**23.2**	25.6
In more than five years	**0.4**	–
	39.6	40.7

Other commitments are as follows:

Group	2013 £M	2012 £M
Capital expenditure commitments contracted with third parties but not provided for at 31 December	**3.6**	3.3

The Company has no commitments as at 31 December 2013 (2012: £nil).

29. Contingent liabilities

The Group's Polish business received a notice from the Polish Office of Consumer Protection and Competition ('UOKiK') in December 2013 stating that the way it calculates APRs amounts to a collective infringement of consumer interests and issued a fine of PLN 12.4 million (£2.4 million). UOKiK believes that the fee for the optional home service and an associated additional preparatory fee should be included in the total cost of credit and therefore the APR figure. On the basis of legal advice received, we believe that we are correctly calculating the total cost of credit and APR and have appealed against the decision. Consequently we have not made a provision in these Financial Statements for the cost of the fine because we do not believe it constitutes a probable and measurable cash outflow from the Group.

The Company has a contingent liability for guarantees given in respect of the borrowings of certain other Group companies to a maximum of £235.3 million (2012: £254.6 million). At 31 December 2013, the fixed and floating rate borrowings under these facilities amounted to £68.7 million (2012: £101.0 million). The directors do not expect any loss to arise. These guarantees are defined as financial guarantees under IAS 39 and their fair value at 31 December 2013 was £nil (2012: £nil).

30. Related party transactions

IPF plc has various transactions with other companies in the Group. Details of these transactions along with any balances outstanding are shown below:

	2013			2012		
Company	**Recharge of costs £M**	**Interest charge £M**	**Outstanding balance £M**	Recharge of costs £M	Interest charge £M	Outstanding balance £M
Poland-Lithuania	**–**	**–**	**–**	–	–	–
Czech-Slovakia	**–**	**–**	**–**	–	–	–
Hungary	**–**	**–**	**–**	–	–	–
Mexico	**–**	**7.2**	**0.1**	–	3.8	0.1
Romania-Bulgaria	**–**	**–**	**–**	–	–	–
Other UK companies	**3.8**	**9.4**	**77.1**	7.9	10.9	49.3
	3.8	**16.6**	**77.2**	7.9	14.7	49.4

The Group's only related party transactions are remuneration of key management personnel as disclosed in note 8.

Financial Calendar for 2014

26 February	Announcement of 2013 final results
30 April	AGM/Announcement of interim management statement
9 May	Payment of 2013 final dividend
30 July	Announcement of 2014 half yearly report
3 October	Payment of 2014 interim dividend
22 October	Announcement of interim management statement

Dividends

Dividend history

Year	Payment date	Interim dividend (p)	Payment date	Final dividend (p)	Total dividend (p)
2007	19 October 2007	1.90	23 May 2008	2.85	4.75
2008	3 October 2008	2.30	22 May 2009	3.40	5.70
2009	2 October 2009	2.30	21 May 2010	3.40	5.70
2010	8 October 2010	2.53	20 May 2011	3.74	6.27
2011	7 October 2011	3.00	1 June 2012	4.10	7.10
2012	5 October 2012	3.23	3 May 2013	4.51	7.74
2013	4 October 2013	3.80	9 May 2014	5.50[1]	9.30[2]

1 Subject to shareholder approval on 30 April 2014.

2 Includes final dividend, subject to shareholder approval on 30 April 2014.

Registrar

All administrative enquiries relating to shareholdings including transfers, dividend payments/reinvestments, duplicate accounts and amending personal details should be addressed to the Company's Registrar.

By post:
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

By telephone:
0871 664 0300 (Calls cost 10 pence per minute plus network extras)
+ 44 (0)20 8639 3367 (from outside the UK charged at the local standard rate)
Lines are open 8.30am to 5.30pm Monday to Friday excluding Bank Holidays.

Via website:
www.capitaassetservices.com

Shareholder information online

For online information such as share price and capital gains tax information please visit the Company's website (www.ipfin.co.uk).

Shareholders are able to access their personal shareholding information by visiting Capita's website (www.capitashareportal.com). This will give shareholders access to their personal shareholding by means of their investor code (which is printed on their share certificate). Most services will require a user ID and password which will be provided on registration.

ShareGift

If a shareholder has a small shareholding which it is not economic to sell, he/she may wish to donate the shares to ShareGift, a registered charity (no. 1052686) which can amalgamate small holdings in order to sell the shares and pass the proceeds on to other charities. More information is available at www.sharegift.org or telephone 020 7930 3737.

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