

International  
Personal  
Finance

*Resilient  
Responsible  
Relevant*



## STRATEGIC REPORT

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[www.ipfin.co.uk](http://www.ipfin.co.uk)

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### Resilient

P16-21



### Responsible

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### Relevant

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#### Cautionary statement

The purpose of this report is to provide information to the members of the Company. It has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors and employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The Annual Report and Financial Statements contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of the Annual Report and Financial Statements and the Company undertakes no obligation to update these forward-looking statements (other than to the extent required by legislation; and the Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority). Nothing in this Annual Report and Financial Statements should be construed as a profit forecast.

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 2014 in order to present the underlying performance variance.

# Resilient Responsible Relevant

Our business is built around a resilient business model that delivers sustainable profitability.

We meet the needs of our customers by providing small, unsecured, short-term loans in an inclusive, transparent and responsible way.

We are responding to changes in consumer demands by modernising the way we do business to make the most of new opportunities and ensure our offer remains relevant.

The numerous awards we win are testament to the high levels of service we provide and demonstrate that the products we offer are highly valued and relevant to our customers. These accolades also help increase sales, enhance our reputation and generate growth.

### FTSE4GOOD



We are a responsible lender and this is recognised by our inclusion in the FTSE4Good index for the seventh year running. Our supersector score ranks us amongst the world's best financial services companies.

### TOP EMPLOYER AND WORKPLACE AWARDS 2014



Attracting the best talent and having engaged teams is crucial to achieving growth. We were recognised with a number of awards in Poland, Hungary and Mexico for providing excellent working conditions, trustworthy leadership and development opportunities.

### EXCELLENCE IN CUSTOMER SERVICE



Continually offering a high level of service helps us attract and retain good-quality customers. Provident in Hungary won the Excellence in Customer Service Award 2014 in both the personal service and call centre categories following mystery shopping sessions and customer interviews.

### IFSPROSHARE



We want our employees to benefit from their contribution to the success of the business. Our international Have Your Share plan was commended for the most effective communication of an employee share scheme and has attracted 2,900 employees to date.

### GOOD CORPORATE CITIZEN



In Poland we won the Silver leaf award for our sustainability strategy, recognising high levels of corporate governance, human rights, behaviour towards employees, the environment and customer care. In Mexico we were recognised as a socially responsible company by the Mexican Centre of Philanthropy for the ninth year running.

### GOLDEN PURSE AWARD 2014



Our business in the Czech Republic was named Best Credit Company 2014 at the Golden Purse Awards. Voted exclusively by the general public, it was ranked highest in respect to customer service, simplicity and price.

# Our performance

- Strong underlying growth of £25.4 million (21.5%) in profit before tax and exceptional items offset by additional new business investment of £9.0 million and weaker FX rates of £11.0 million.
- Profit before tax and exceptional items increased 5% to £123.5 million.
- Statutory profit before tax £100.2 million.
- Continued growth in customers and credit issued, although slowed as Q4 progressed.
- New products, channel developments and further geographic expansion will contribute to higher levels of growth in 2015 and beyond.
- Digital business established.
- Target capital ratio reduced and dividend pay-out ratio increased.

**£123.5M +5%**

Profit before tax (£M)

2012	95.1*
2013	118.1*
2014	123.5*

**£1,022.0M +5%**

Credit issued (£M)

2012	882.1
2013	1,050.8
2014	1,022.0

**38.0p +7%**

EPS (p)

2012	27.6*
2013	35.5*
2014	38.0*

\* Excluding exceptional items

→ See page 38 – Operational Review

**2,640 +2%**

Customers ('000)

2012	2,415
2013	2,578
2014	2,640

**£783.2M +13%**

Revenue (£M)

2012	651.7
2013	746.8
2014	783.2

**12.0p +29%**

Dividend per share (p)

2012	7.7
2013	9.3
2014	12.0

We provide Provident home credit loans in eight markets in Europe and Mexico and offer hapiloans in Poland. The acquisition of MCB Finance in February 2015 extends our footprint into Finland, Latvia, Estonia, Australia and increases our presence in Lithuania with its Credit24 and Sving brands.



*Our business today*

### POLAND AND LITHUANIA

We delivered good growth in receivables, controlled costs tightly and achieved a strong profit performance. National coverage was achieved in Lithuania and will support accelerated growth in 2015.

848,000

Customers

9,250

Agents

£441

Credit issued per customer

£71.0M +14%

Profit before tax (£M)

2012	54.9
2013	62.3
2014	71.0

### CZECH REPUBLIC AND SLOVAKIA

A challenging trading environment and new regulations resulted in a reduction in customers and credit issued. Changes have been implemented to return the business to growth.

360,000

Customers

3,990

Agents

£529

Credit issued per customer

£24.3M -25%

Profit before tax (£M)

2012	27.1
2013	32.5
2014	24.3

### HUNGARY

Our continued focus on sustainable growth delivered another strong trading performance, record customer numbers and a 24% increase in profit to £24 million.

326,000

Customers

2,720

Agents

£438

Credit issued per customer

£24.0M +24%

Profit before tax (£M)

2012	12.5
2013	19.4
2014	24.0

## HAPILOANS

We responded to growth in the digital credit market with the launch of our first digital offer, hapiloans, in Poland in December 2014.

## MCB FINANCE GROUP PLC

In February 2015 we completed our acquisition of MCB Finance – a profitable digital consumer finance business established in 2006. In the coming months we will integrate our hapiloans business into MCB Finance and commence plans for the rollout of this digital business into our existing markets.

Key

- Home credit
- Digital
- Home credit and Digital



## ROMANIA AND BULGARIA

We delivered a pleasing increase in profit to £4.9 million and continued geographic expansion in Bulgaria.

# 320,000

Customers

# 4,180

Agents

# £342

Credit issued per customer

# £4.9M +58%

Profit before tax (£M)

2012	4.5
2013	3.1
2014	4.9

## SPAIN

Our management team is established in Madrid and we are awaiting authorisation from the Bank of Spain to trade. We are recruiting agents and expect to deliver loans to our first customers in the second quarter of 2015.

## MEXICO

Our business in Mexico continued to achieve strong growth and we are on track to deliver our MXN \$660 profit per customer target in 2015.

# 786,000

Customers

# 9,850

Agents

# £272

Credit issued per customer

# £16.5M +14%

Profit before tax (£M)

2012	9.2
2013	14.5
2014	16.5

We are a leading international provider of consumer credit committed to bringing sustainable benefits to our customers, employees, agents and the communities where we operate. Our vision is to make a difference in the everyday lives of our customers by offering simple and personalised financial products.

We have an excellent track record of creating value for our shareholders. We operate in markets where there are good growth opportunities and consumers are relatively underserved by financial services providers. We are also modernising the business and launching more products and channels to deliver further growth.

1

**RESILIENT BUSINESS MODEL**

Our home credit business model is well-established, resilient and profitable. We know our customer segment well and our small-sum loans, with forbearance features and optional weekly agent service, are well liked by our customers. Our business model is very flexible as a result of the short-term nature of our loan book. Even during times of economic crisis it has proven to be robust and resilient.

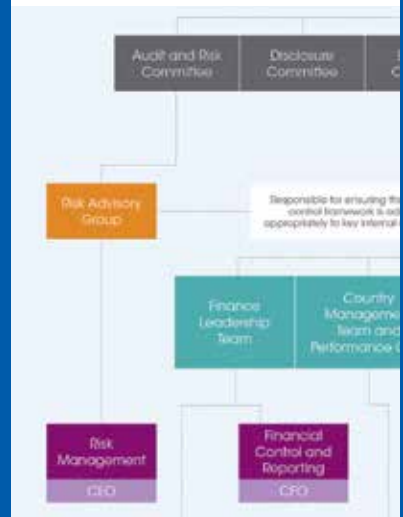


→ See page 18 for more information

2

**EFFECTIVE RISK MANAGEMENT**

We put risk management at the centre of our decision-making and have strong and effective systems which support the delivery of our growth strategy within the changing environments in which we operate. The principal risks we face are assessed continuously and managed actively against our risk appetite. We have high standards of governance and the effective management of risks and opportunities is critical in order to deliver long-term shareholder value and protect our teams, assets and reputation.



→ See page 49 for more information



3

## A PEOPLE BUSINESS

Our employees and agents are critical to meeting the needs of our customers and achieving our strategic goals. We are focussed on attracting and retaining individuals with strong leadership and management capabilities, developing our talent pipeline to create our teams of the future and improving employee and agent engagement. Our Board and senior management have extensive experience of working in international markets together with home credit and wider financial services expertise.

# 65.2%

Agent retention (%)

2012	61.1
2013	67.6
2014	65.2



→ See page 14 for more information

4

## STRONG FINANCIAL PROFILE

Our financial strength and clear funding strategy are fundamental for us to fulfil our vision and achieve our plans for growth. We have an excellent track record of generating sustainable, profitable growth. We have a well-capitalised balance sheet and are committed to making it work harder in order to optimise the amount of equity capital in the business and enhance shareholder returns.

# 47.5%

Equity to receivables

2012	57.8%
2013	50.2%
2014	47.5%

→ See page 45 for more information

5

## PROFITABLE GROWTH BUSINESS

There are good growth prospects for our business in the markets in which we currently operate and beyond. We are expanding our geographic footprint and introducing more products and channels to attract new customers. In addition, we are also modernising our agent-led business model through our T4G programme to create more sustainable and incremental profitable growth opportunities. Growing our digital offering will also enable us to serve a wider range of consumer segments.

**PROVIDENT**

El crédito en persona



→ See page 38 for more information

We have a development strategy that is opening up new opportunities for growth.



"We have developed into a robust international business with diversified funding and a strong management team."

Christopher Rodrigues  
Chairman

*Delivering value*

Dear Shareholder,

In December we announced my intention to retire as Chairman of the Company at our 2015 AGM. As I enter my last few months as Chairman, I can look back on the years since we became a public company in 2007 with some satisfaction. We have developed into a robust international business with diversified funding and a strong management team. We came through the financial crisis with one profit warning but no losses, indeed the robust profit performance of the business reflects the attractions of our focussed business model. None of this would be possible without the business being resilient, responsible and relevant, which forms the theme of this report and the foundation for our continued success.

Looking forward, we have a development strategy that is beginning to embed improved processes and enabling technology across the organisation and our product and market development plans are opening up new opportunities for growth.

#### Delivering our strategy

It is almost three years since we launched our Strategy for Growth and I'm delighted to see strong progress made in opening new markets and delivering new products which will drive growth in 2015 and beyond. We have continued to expand our geographical footprint in our existing markets and the planned launch of our Spanish business will be an exciting growth opportunity. We have also continued to roll out other product and channel initiatives that we believe will add further to the shareholder returns that we generate from our home credit business.

A particular focus for the Board in 2014 has been to ensure the business remains relevant in a fast-changing world where technology drives consumer demands and behaviours. We continued to modernise our agent-led business through technology to make the most of the opportunities that we face in the future. The launch of our online hapiloans business will allow us to service a new customer segment who want a remote, digital loan. I am also delighted that we completed our first acquisition in February 2015

**It is our people  
- all 38,000 of  
them - who  
deliver these  
successes and  
maintain our  
culture**

of MCB Finance for a total consideration of £23.8 million. MCB Finance is a profitable digital consumer finance provider offering credit products to 121,000 active retail customers and in the year to 31 December 2013 issued credit in excess of €90 million. This acquisition fits well with our digital strategy and brings expertise, a proven technical platform and new geographies to our portfolio.

#### 2014 results

We delivered another record profit of £123.5 million before tax and exceptional items in 2014, and I am confident that the progress we have made in delivering our strategy, growth levels will increase in 2015.

We are very much focussed on delivering value to our shareholders. We have nearly completed a £50 million share buyback and also increased our target dividend ratio pay-out rate to 35% of post-tax earnings. Subject to shareholder approval, I am pleased to report a final dividend of 7.8 pence per share, which will bring the full year dividend to 12.0 pence per share, an increase of 29%.

#### Board changes

To help support our growth plans we have recruited to add to our experienced and talented team. As mentioned in my last report, the appointment of Adrian Gardner to the Board as Chief Financial Officer in January 2014 not only broadened our senior leadership team but, importantly, allowed David Broadbent, who had previously served as Finance Director, to take on the role of Chief Commercial Officer, leading the modernisation of our home credit business.

The Board was particularly pleased to welcome Cathryn Riley in February 2014 as non-executive director. Having previously worked in technology leadership roles for major financial and healthcare providers, Cathryn has brought invaluable experience to our transformation programme. Cathryn chairs the Transformation for Growth Committee, which provides detailed

→ See page 31 for more information on MCB Finance

Board oversight to the change programme, and sits on the Remuneration Committee.

I am delighted to welcome Dan O'Connor as an independent non-executive director, who brings with him over 25 years' experience in large international and financial services companies, which will help drive our Strategy for Growth. Dan will succeed me as Chairman of the Group and of the Nomination Committee at our AGM on 30 April 2015.

We are all sorry to see the departure of Edyta Kurek. She has brought great insights in running large sales forces and her knowledge and experience in many of our markets have been invaluable. We wish her well in her new full-time role and are only sad that the demands and geographic range of her responsibilities mean she has had to step down from our Board.

#### Our people and values

Our values of being respectful, responsible and straightforward are well recognised by our teams and in 2014 we worked hard to complement these behaviours with greater visibility of our Code of Ethics. We introduced a mandatory ethics e-learning test that was tailored to our business and in November we held a Group-wide ethics webcast for employees to reinforce our ethical standards.

Our commitment to high professional standards has its rewards. Our business practices have once again received plaudits from external bodies. In Poland the team was certified as a top employer. In Hungary we were recognised for excellence in customer service and in the Czech Republic as a best non-bank provider of consumer credit.

Of course it is our people – all 38,000 of them – who deliver these successes and maintain our culture. We have continued to invest in our teams and in 2014 we launched two new learning and development programmes – Aspire and Leading for Growth. These programmes will ensure we have high-calibre managers with the leadership skills in place to realise our long-term growth

ambitions. You can read more about these initiatives on page 26.

As always, the Board would like to extend its thanks to all our management, employees and agents for all their hard work and efforts in 2014. But this year I would like to add a my particular personal thanks to all those who have been on the journey with me. Your commitment has never wavered and you have been a great team to work with.

I wish Dan O'Connor every good fortune as my successor. He has the experience and the commitment to the sector to take the business and our team on to new heights.

I look forward to watching the business grow and prosper in the years ahead.



Christopher Rodrigues  
Chairman

## FUTURE OPPORTUNITIES

We are modernising our business and launching new products to meet the changing needs of our customer segment.

→ See pages 30 to 37 for more information

Our Strategy for Growth is as relevant today as it was when we launched it almost three years ago and in the last twelve months we have made significant progress in each of the core elements of the strategy.

**Record profit and strategy progress**

2014 was a busy year for us at IPF. A year in which we delivered record profit, achieved a major debt refinancing, launched new products and our first digital loans business. We dealt with multiple regulatory changes and made significant progress in building a new technology platform to enable us to provide the services our customers require in the years ahead. We established a team to open our home credit business in Spain and completed our acquisition of MCB Finance. All of this was achieved within the context of increasing competition in our European markets and regulatory changes in Slovakia which resulted in lower-than-expected growth, particularly as we progress through the fourth quarter.

**Our strategic direction unchanged**

Our Strategy for Growth is as relevant today as when we launched it almost three years ago and in the last twelve months we made significant progress in each of the core elements of the strategy. Our geographic expansion continues

with our move into Spain and we expect to commence trading during the second quarter of 2015. Our drive to improve customer engagement is evident in the number of new products we launched during the year: small business loans; new insurance products; and prepaid cards. Our investment in new technology, funded by reducing other costs so that we can maintain momentum on profitability, is now beginning to be felt. Our customer websites are more user friendly and internet-driven loans are up year-on-year by 8%. We have provided tablet technology to 1,800 Development Managers and the feedback is that there is a significant increase in productivity and job satisfaction.

A key pillar of the strategy is ensuring that we offer our customers more choice, in terms of the products they want and the distribution channels

**It is our intention in coming years that we will have an agent-led offering and a digital offering in most of our markets.**

"Our profit in 2014 was a new record and we will continue to work the balance sheet harder for the benefit of our shareholders."

Gerard Ryan  
Chief Executive Officer



*Progress for growth*

through which they acquire them. Our focus is to enable growth by changing our business from a largely single product, single distribution-channel organisation to a provider of consumer finance via multiple products, brands and distribution channels. To satisfy the requirements of customers who prefer to deal online for their financial requirements, we launched our new digital business, hapiloans, in December. The acquisition of MCB Finance provides us with an experienced management team, a proven digital channel and two new brands. We intend to develop our plans for the rollout of this business in the first half of 2015.

#### Growth and competition

We delivered a record full year profit of £123.5 million before tax and exceptional items with strong underlying profit growth of £25.4 million (21.5%). We continued to increase customer numbers and credit issued but an increasingly competitive environment in our European markets resulted in lower-than-expected growth, particularly as we progressed through the fourth quarter. We have put in place a number of actions to reverse this recent slowdown and expect to deliver higher levels of customer and credit issued growth in 2015 by continuing to execute on the strategic initiatives launched in 2014.

#### Changing face of regulation

In financial services, effective regulation is an absolute necessity. Regulators in our European markets have become increasingly active, conducting more reviews and introducing new regulations to govern the provision of consumer finance. This more interventionist stance can, in many cases, be attributed to the significant growth of payday lending and the negative publicity this has generated.

Sometimes it is the speed with which the new rules are implemented that can cause an issue and at other times it is the new rule itself. In the space of five weeks, three new rules were introduced in Slovakia. Despite the upheaval this caused our

## OUR STRATEGY

1

### EXPANDING OUR FOOTPRINT

We intend to grow in our existing markets and new countries, both organically and through acquisitions.

2

### IMPROVING CUSTOMER ENGAGEMENT

We will provide new products and more digital channels.

3

### DEVELOPING A SALES CULTURE

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

4

### EFFECTIVE EXECUTION

We will invest in technology to provide a better service and improve our efficiency.

→ See page 20 for more on Regulation

business, we introduced a prepaid card so that our loans were no longer delivered in cash and we changed our customer services processes to comply with changes to arrears collections. This is just one example of how our business needs to adapt to ensure that we satisfy regulators.

Regulators are trying to minimise the risk of consumer over-indebtedness and ensure that the customer has sufficient information that can be easily understood about the contract into which they are agreeing to enter. Our view is that this is a good thing and we will continue to work closely with regulators in each of our markets to ensure that our customers can make informed choices that work for them.

#### Looking ahead

The changes required to deliver our strategy continue to be implemented and we are committed to reversing the recent slowdown in growth in the final weeks of 2014. The introduction of new products, distribution channels and brands will create new opportunities and MCB Finance is an

exciting development which fits well with our ambitions to appeal to broader segments of our target markets. We will also continue to work the balance sheet harder for the benefit of our shareholders.

I would like to end my report by thanking Christopher for his guidance, insights and support during the three years that we have worked together. Under his stewardship, IPF has developed into a significantly larger and more profitable, robust and diversified business, and for that he must take a good deal of the credit.



Gerard Ryan  
Chief Executive Officer

# Progressing our strategy

1

## EXPANDING OUR FOOTPRINT

We intend to grow in our existing markets and new countries, both organically and through acquisitions.

### Progress in 2014

Expanding our footprint contributed to 2% growth in customers and the number of Group agents remained stable.

We continue to see significant growth potential in Mexico and opened four branches in 2014, two of which were in Mexico City where we now serve around 6,700 customers.

We achieved national coverage in Lithuania and opened nine locations in Bulgaria. Across both these markets we have around 19,000 customers.

We announced that our next new market will be Spain which, with a mainland population of 44 million, represents another large growth opportunity. We appointed our core management team which set up

operations in Madrid in the second half of the year. Investment in Spain in 2014 was £2.0 million.

The acquisition of MCB Finance – a fully online business – brings us four new countries as well as greatly increasing our presence in Lithuania.

### Future targets

At maturity, we are targeting three million customers in Mexico, 80,000 customers in Lithuania and 100,000 customers in Bulgaria. We plan to accelerate customer and credit issued growth during 2015.

We are targeting 400,000 home credit customers in Spain at maturity. We expect investment to be around £8 million in 2015 and are targeting break-even in 2018.

### KPIs

## 2,640

Customers ('000)

2012	2,415
2013	2,578
2014	2,640

### Definition

The total number of customers across the Group.

### Rationale

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

## 30,000

Agents

2012	28,500
2013	30,000
2014	30,000

The total number of agents across the Group.

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.

## 2

## IMPROVING CUSTOMER ENGAGEMENT

We will provide new products and more digital channels.

## KPIs

## Progress in 2014

Broadening our product portfolio is key to attracting new customers and retaining existing customers. In 2014, customer retention further improved and our customer service score remained at a high level compared to other financial services providers. We extended our longer-term loan offers in Hungary and Romania, and rolled out preferential pricing in Romania. We began delivering loans on prepaid cards in Slovakia and Mexico, and launched our first monthly home credit loans to better quality customers in Poland.

We are pleased with the performance of our insurance offering. We have issued nearly 4,000 policies in Hungary and more than 100,000 customers in Mexico have taken Provident Plus life and medical assistance insurance cover.

We established our digital business with the launch of hapiloans in

Poland – our first digital loan offering. This was complemented by the acquisition of MCB Finance in February 2015 – a profitable and experienced digital loans provider. Further information relating to our digital offering can be found on page 31.

## Future target

We plan to increase penetration of longer-term loans and preferential pricing. We intend to roll out monthly home credit loans and introduce loans on prepaid cards in all our established European markets in 2015. We will also expand small business loans for self-employed customers in Poland and Mexico, and roll out our insurance offer in Hungary.

We see good consumer demand for our digital loans offering. We will integrate our hapiloans business into MCB Finance and commence the rollout of this digital business into our existing markets.

58.4%

Customer retention (%)

2012	55.8
2013	57.4
2014	58.4

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

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.

49.0

Customer service score

2012	52.9
2013	50.0
2014	49.0

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.

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 objective to treat customers fairly.

## Definition

## Rationale

### 3 DEVELOPING A SALES CULTURE

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

#### Progress in 2014

We are developing a sales culture and investing in our people so they have the skill set to meet our growth plans. Revenue increased and employee and agent retention remained stable in 2014. Excluding the impact of FX, credit issued per customer is in line with 2013.

We launched our Leading for Growth programme to our top 150 leaders who are responsible for driving sustainable growth. Senior leaders Group-wide were also engaged in understanding tactical activities relating to sales culture.

All our markets created development programmes for employees and agents to improve growth opportunities and create a positive working environment. Our ProXXI initiative in Poland progressed to

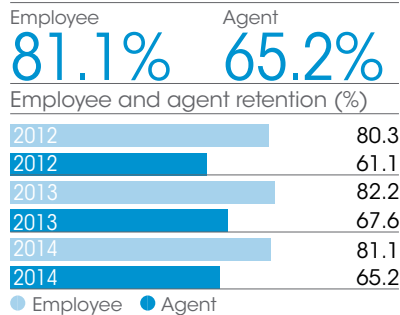
include coaching agents to grow their business. In other markets, sales training programmes were delivered to Development Managers to support their motivation of agents to improve growth opportunities, customer retention and recommendation.

#### Future targets

Embedding a sales culture will be integrated into our T4G programme to drive forward the leadership behaviours required.

We will also develop the behaviours and capability of our agents to increase product advocacy, improve customer experience and ensure they are equipped to sell new products.

#### KPIs



#### 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 deliver a high quality of service, both of 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.

**£392**

Credit issued per customer (£)



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

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 creditworthiness is proven.

**£783.2M**

Revenue (£M)



Revenue is income generated from customer receivables.

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



## 4

## EFFECTIVE EXECUTION

We will invest in technology to provide a better service and improve our efficiency.

## Progress in 2014

Our business is well managed. Impairment as a percentage of revenue is in our target range of 25% to 30%, credit exceptions remained stable and we further improved the cost-income ratio.

As part of T4G, we continued to implement our ProXXI programme which aims to develop a growth focussed, entrepreneurial and technology-enabled workforce. We introduced tablet technology to 1,800 Development Managers in Hungary, Poland, Romania and the Czech Republic with rollout underway in Mexico and Slovakia. This has reduced paperwork and created time to develop agents and grow their businesses.

We formed a Board committee to oversee the governance of T4G and

made progress broadening our product offering, using credit bureaux and exploring broker channels.

## Future targets

We will introduce ProXXI in Lithuania, Bulgaria and Spain in 2015.

T4G will support top-line growth and make the business more efficient. We expect to invest around £40 million in T4G capital expenditure between 2014 and 2017. The income statement impact of this investment in 2015 to 2017 is expected to be offset by other cost savings and benefits from the programme. We expect T4G will deliver an additional £20 million profit per annum from 2018.

## KPIs

3.0%

Credit exceptions (%)

2012	2.1
2013	2.3
2014	3.0

28.1%

Impairment (%)

2012	27.0
2013	26.6
2014	28.1

38.8%

Cost income (%)

2012	39.8
2013	39.5
2014	38.8

## Definition

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

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.

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

## Rationale

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

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%.

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%.



## 1

# Resilient

Our home credit business model is well-established and offers significant growth opportunities with strong profitability and cash generation. We remain focussed on introducing new products and channels that are valued by our existing customers and are attractive to a new generation of borrowers.

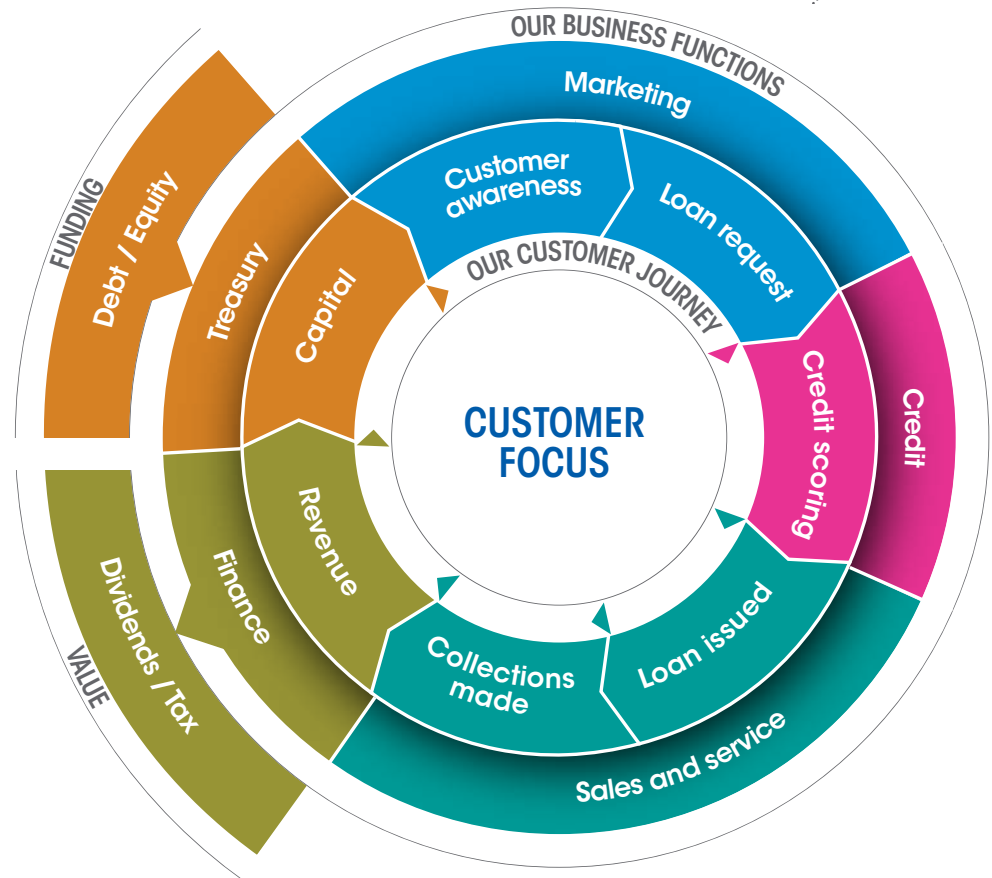
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Our core home credit business model is well-established and offers continuous, sustainable growth with good profitability and cash generation.

Home credit will remain at the core of our business. We aim to grow and generate enhanced profit through increasing our geographic reach, expanding our existing customer base, introducing new products and channels, and giving good-quality customers the opportunity to borrow more. We are also focussed on achieving greater operational efficiencies through expansion and reducing costs.

# How we create value



## FINANCE AND TREASURY: DELIVERING SUSTAINABLE PROFITABILITY

Our home credit model is cash and capital generative and we maintain a strong balance sheet. We are well-funded and the refinancing of our core Eurobond and bank funding in 2014 formed part of our strategy of attracting longer-term funding from diversified sources at lower cost. Successful delivery of our

Strategy for Growth will generate sustainable profitable performance which will, in turn, increase further value and returns for our shareholders and enable us to reinvest in the business. It will also create value in the markets in which we operate through employment, tax and community support initiatives.

## Find out how we are delivering growth in Mexico

→ See page 32

### MARKETING: HOME CREDIT AND OUR CUSTOMERS

We offer unsecured, short-term cash loans to people who want to borrow small sums and repay weekly in manageable and affordable amounts. Customers can repay by money transfer to a bank account or through our optional home service delivered by our network of 30,000 agents. In Mexico, the business model 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. Customers like the convenience of arranging loans and making

repayments in their own home and value the fact that there are no extra charges for missed or late repayments with the home service option. The discipline of the weekly agent visit also helps customers repay regularly and reduce the risk of falling behind on their repayments.

A typical customer is underserved by mainstream lenders and may be taking a loan from a financial organisation for the first time. If they have taken credit before they may have used store credit or borrowed from friends and family. They have average to slightly below average incomes, are looking to borrow money for a specific purpose and do not want to borrow more than they need.



£100 -  
£2,000

Typical loan size

14  
months

Typical loan term

### CREDIT: EFFECTIVE, RESPONSIBLE LENDING

Responsible lending is at the core of our business model. Agents are rewarded 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.

Credit risk is based around the relationship between customers and their agent, supported by bespoke application and behavioural scoring systems.

We are also introducing the use of credit bureaux to improve our lending decisions.

We only lend to customers who can prove they have a regular, secure income and can afford their repayments. Our 'low and grow' approach to lending ensures new customers start with a small loan. Only when they have demonstrated their ability and willingness to repay will we offer a larger amount, if they require it.



59%

of our customers are female

### SALES AND SERVICE: STRONG PERSONAL RELATIONSHIPS

Understanding our customers and the strong personal relationships between our customers, agents and Development Managers is at the core of the business model. Agents are responsible for developing and maintaining good relationships with their customers and growing their agency. 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. Our Development Managers meet regularly with their agents to provide support and guidance on growing their agency.



82%

of our agents are female

# Understanding our changing markets

We have a good track record of evolving our products and services to meet new regulatory requirements.

## MARKET OVERVIEW

### Economic trends

There was good economic growth in our markets in 2014 and consumer credit markets where we operated are growing. GDP forecasts are broadly positive for 2015, with growth expected to be similar to 2014 in most markets. We continue to monitor developments in the Eurozone and events in the Ukraine to assess the potential impact that they may have on the macroeconomic environment. Consumer confidence was relatively stable during the year although we have seen some reduction in some of our markets during the latter part of 2014.

### Competition

We are seeing a continued increase in competition, particularly in our European markets. The payday lending sector continues to grow and we see high-profile TV marketing by these operators in Poland, the Czech Republic, Slovakia, Romania and Lithuania. Our business is different from payday lending in a number of ways:

- we do not charge default fees on our home credit service – if we make a poor credit decision we pay the price, not our customer. Only a very small percentage of our revenue comprises default fees from our money transfer product.
- we do not rollover 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 model is based on forbearance – if a customer misses a payment we will work with them

to reschedule their loan and default or penalty fees are not a revenue stream within our home service business model;

- we do not employ continuous payment authority – our home service loan repayments are collected by an agent at a pre-arranged time that is convenient for our customer; and
- agents are paid largely on what they collect not what they sell, so responsible lending is built into our business model.

In all our European markets, especially in Poland and the Czech Republic, we are also competing against growing numbers of other credit providers and banks. In Hungary and Slovakia, there was increased media activity by banks and this is likely to continue. In contrast, the competitive environment in Mexico's micro-finance sector is largely unchanged.

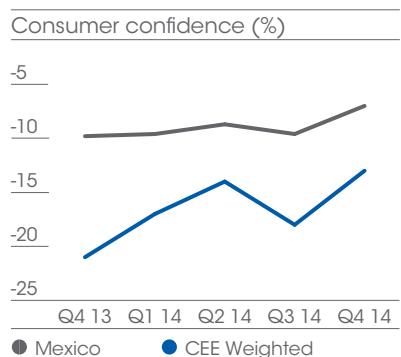
The rapid increase in mobile device usage is changing the way that customers access information and is supporting growth in the digital loans arena where there is a mix of established and relatively new businesses offering remote digital loans.

### Regulation

Regulators in our European markets have become increasingly active conducting more reviews and introducing new regulations to govern the provision of consumer finance. Regulatory changes are part of our everyday operations and our experienced market teams maintain constructive relationships and dialogue with regulators and other external stakeholders. We have a good track record of evolving our products and services to meet new

GDP growth (%)	
Poland	
2014	3.3
2015	3.4
Lithuania	
2014	3.0
2015	3.0
Czech Rep.	
2014	2.3
2015	2.5
Slovakia	
2014	2.4
2015	2.6
Hungary	
2014	3.4
2015	2.5
Romania	
2014	2.8
2015	3.0
Bulgaria	
2014	1.5
2015	1.2
Mexico	
2014	2.2
2015	3.4
Spain	
2014	1.4
2015	2.2

Source: Citigroup



Sources: European Commission & Statistical Agency of Mexico

**Regulatory changes are part of our everyday operations and our experienced teams maintain constructive relationships and dialogue with regulators and other external stakeholders**

regulatory requirements and it is inevitable that we may experience some disruption when change occurs. We are currently addressing regulatory matters in Slovakia, Poland and Hungary.

## SLOVAKIA

A cap on 'remuneration charges' became effective on 1 June 2014. In addition, a ban on the delivery of loans in cash and arrears visits to customers' homes was introduced which impacted our performance as we evolved alternative practices and processes that are convenient for our customers. We amended our product offer to comply with the remuneration cap and launched a prepaid card to deliver loans to customers which has been well-received.

## POLAND

We await parliamentary approval of the draft proposals published by the Ministry of Finance in Poland relating to caps on mandatory non-interest charges for credit and default charges, and do not currently expect the legislation to become effective before Q1 2016. Our pricing of mandatory fees falls within the proposed cap.

We also continue to await a date for the court process to begin our appeal against the findings of UOKiK, the Polish Office of Consumer Protection, which in December 2013 stated that the way we calculate APR amounts to a collective infringement of consumer interests and subjected our Polish business to a PLN 12.4 million fine.

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. We continue to believe that these matters will not impact the economics of our Polish business.

## HUNGARY

In January 2015, The National Bank of Hungary introduced a limit on the proportion of an individual's net income that may be spent servicing consumer credit (50% to 60% depending on income level). We have adapted our product offering to be compliant with the new regulations and we are monitoring the impact that this change will have on customer appetite for borrowing.





## 2

# Responsible

Our home credit business is unique in that each customer is visited personally by one of our agents before every loan is granted. This valuable insight, combined with our robust credit management systems, means our loans are transparent, manageable and tailored to our customers' specific circumstances.

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# Creating a sustainable business

Corporate sustainability is a core part of our ability to meet ambitious future growth targets.



## ETHICS

We believe it is important to ensure that we are acting ethically at all times. We provide a clear template to employees through our Code of Ethics and place a great emphasis on communicating with, and training, employees through the use of real-life ethical dilemmas. We are committed to human rights and make an annual communication on progress through our membership of the United Nations Global Compact.

# 95%

employees have completed ethics training



## CUSTOMERS



The relationship we have with our customers is fundamental to the sustainable success of our business. We know that to maintain an ongoing relationship with our customers we need to treat them fairly. Our business model is oriented towards financial inclusion and we pride ourselves on helping to finance opportunities for customers who have limited access to credit elsewhere.

Our product is tailored to the needs of our customers; we provide transparent loans with clear guidance at the outset on how much the customer will repay. We practise forbearance when a customer may have temporary difficulty in making a loan repayment and customers who take our home service have the reassurance that they will not incur default charges.

**KIVÁLÓSÁG**  
AZ  
ÜGYFÉLKISZÖLGÁLÁSBAN  
DÍJ 2014

Our Hungarian business won Excellence in Customer Service Award 2014 in both the personal service and call centre categories.

We take responsible lending seriously. Agent reward is based on repayments collected and the face-to-face visits with their customers allow them to make informed assessment on affordability supported by credit scoring systems.



## OUR PEOPLE

We employ 8,260 people and engage with a further 30,000 agents in order to deliver loans to our customers. We are committed to attracting and retaining the best people regardless of gender, age, religion, race, sexual orientation or disability. We know that each of our employees is vital to making IPF an ethical and sustainable business. We are focussed on building and maintaining a positive culture which places an emphasis on responsible lending, our corporate values and making a difference in the lives of our customers. We manage health and

safety and are certified against ISO18001 in our businesses in Poland, the Czech Republic, Slovakia, Hungary and Romania. Our remaining businesses are planning assessments in 2015.

# 22%

female representation at Board level in 2014

# 49

Customer service score

# 11,500

customer views captured through YouGov research on financial wellbeing and inclusion



## ENVIRONMENT

We are committed to reducing our impact on the natural environment through responsible resource use. We have initiatives throughout the business aimed at saving money and streamlining processes through reducing usage in the areas that have the most significant environmental impacts: fuel for business travel, paper purchased and energy.

# ISO14001

Robust Environmental Management System audited internally against ISO14001

# -12.3%

reduction in scope 1 and 2 carbon emissions per customer in 2014 meaning that we are on track to reach our three-year objective



## COMMUNITY

Investing in our local communities gives us a great platform to engage with employees, customers and local authorities. We place a strategic focus on promoting financial literacy as we believe it is important to support responsible lending through financial education.

# £700,000

invested in local communities in 2014, totalling £5 million since 2008

# 16,700

volunteering hours donated in our local communities in 2014



## OTHER STAKEHOLDERS

As part of running a sustainable business we listen to the views of our stakeholders and integrate this feedback into our business planning. We have a comprehensive programme of engagement including stakeholder roundtables around the business as well as one-to-one engagement. Our Group roundtable was hosted by the Institute of Business Ethics in 2014.

eurofinas 

ECRI Institute  
The Discipline of Science. The Integrity of Independence

# Our customers and people

## CUSTOMERS AND RESPONSIBLE LENDING

We consider our customers and our people to be the most important stakeholders for the sustainable success of our business and, as such, take a proactive stance with both groups to ensure that they are treated fairly and that we are meeting their current and future needs.

We take responsible lending seriously. It is in the interests of both our business and our customers to ensure they do not borrow more than they can afford to repay. We utilise face-to-face visits with our customers to allow our agents to make informed assessments on affordability.

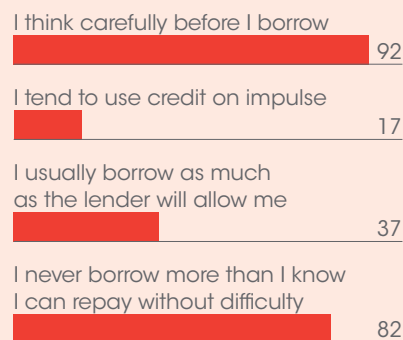
## FINANCIAL WELL-BEING AND INCLUSION

We conduct regular research to understand our customers; how they view their economic outlook, their financial holdings, their use of credit services and their standard of living. In our latest research we collected the opinions of 11,500 customers across the business.

The majority of respondents say it would be difficult for them to access credit via a mainstream bank or lender; 52% say it would be difficult or impossible and 23% say they are not sure. We believe that everyone has the right to access credit if they have the ability and disposition to meet their repayment obligations. We pride ourselves on providing access to credit for those who are underserved elsewhere.

The research also shows that the vast majority of customers surveyed borrow responsibly and take their repayment obligations seriously. The fundamental question of affordability lies at the heart of decision-making, which is well-considered. Our approach to home credit lending always requires face-to-face customer contact before making a lending decision and complements our customers' prudent approach to borrowing.

### Key research highlights (%)



Source: YouGov

## CUSTOMERS – IDENTIFYING SUSTAINABLE OPPORTUNITIES

Our segmentation research, which involved 3,000 customers and 6,000 other consumers, is helping to define their needs so we can serve existing customers better and identify how we can appeal to new consumer segments.

The results suggest that we would be better able to serve the needs and wants of a certain segment of consumers with a digital product. This led to the launch of hapiloans in Poland. We are ensuring that we bring our ethical values, including forbearance and a fair and transparent pricing structure to this new business.

In the medium term we believe that segmentation research will be useful in supporting a number of areas including product development, people training and development and community investment.

# Our people strategy

We are committed to supporting the growth and development of our people in order to fulfil our growth and transformation ambitions.

Our culture, vision and capabilities clearly define the behaviours and environment that are needed to deliver our Strategy for Growth. We are bringing our capabilities to life through our Leading for Growth development programme. People and Organisation Planning ensures our people strategy reflects our Strategy for Growth so we are able to identify high potential individuals and to understand how we can enhance and support our people further.

Our people strategy focusses on creating a culture of high engagement, identifying and nurturing talent and empowering people to be the best they can be; from our senior leaders through to our operational teams of employees and agents.



## OUR THREE AREAS OF FOCUS:

### 1. Resourcing for the future

- Bringing in new capabilities to resource our T4G programme and a new digital focus.
- Achieving greater diversity to reflect our international business and our current and future customer base.
- Building a robust and deep talent pipeline to support growth.
- Ensuring there is dedicated resource in place for major initiatives.

### 2. Development

**Leading for Growth:** A two-year development programme that helps our leaders to understand and role model behavioural excellence to drive the sustainable growth of the organisation.

**Aspire:** A two-year programme aimed at accelerating the progression of those identified as being in succession for key roles in the organisation.

We are developing a wider resource pool by introducing specific programmes such as the Credit Graduate Programme and Finance Future Leaders Programme.

### 3. Organisation design

We are maximising the benefits and opportunities of our T4G and acquisition programmes by ensuring that future technology improvements are aligned to a new organisational design.



## DIVERSITY

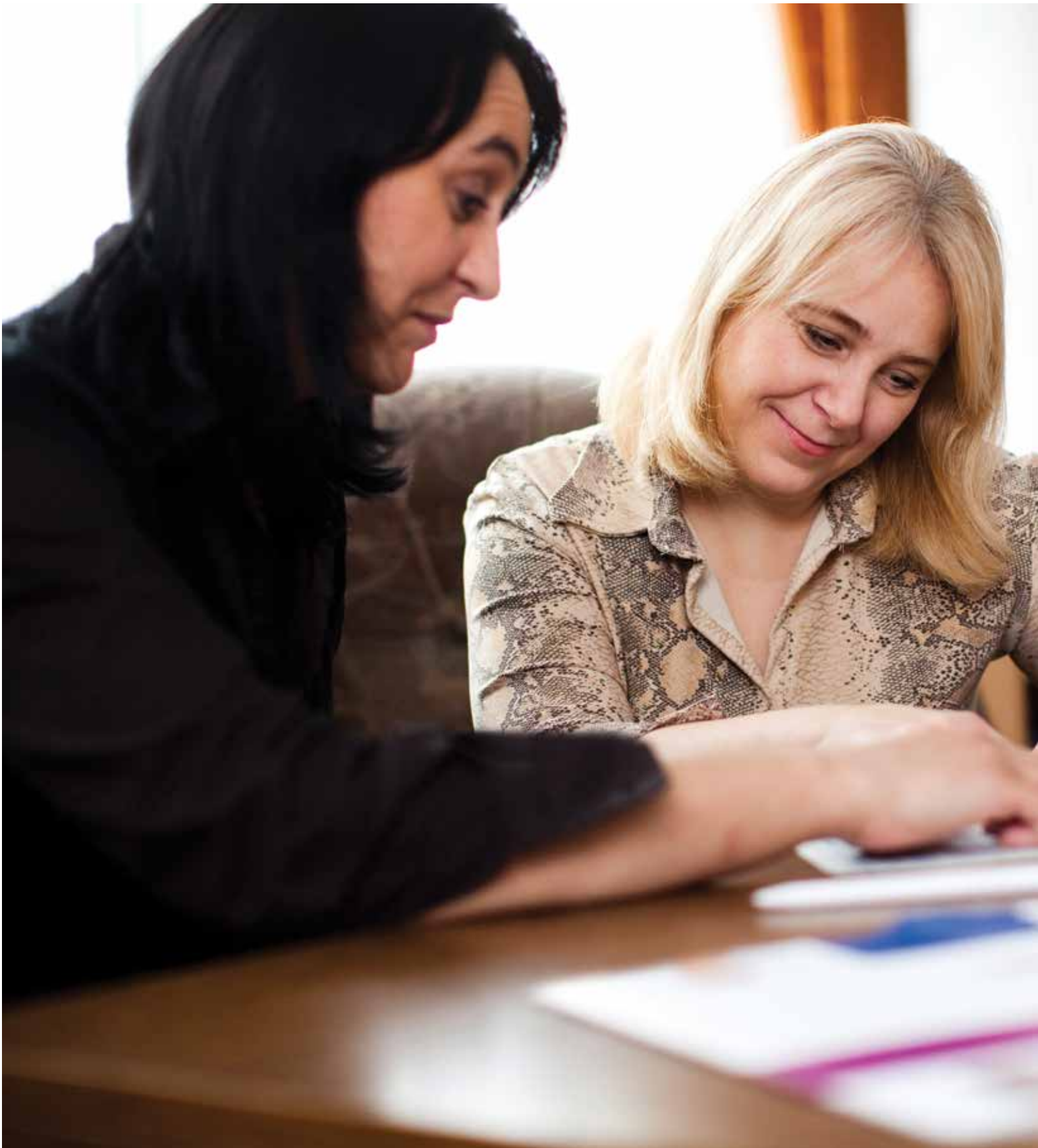
We are committed to employing a diverse workforce and are encouraging this diversity through our talent development programmes as well as through recruitment processes. Three out of four participants on our Credit Graduate Programme are female and we have 34% female representation on our Aspire leadership development programme. Within our local management boards we have 24% female representation and we recruited a number of new female management board members in 2014.

Gender split 2014	Female	Male
Board	2	7
Senior managers	79	200
All other employees*	6,392	4,422

\* includes agents in Hungary

## HUMAN RIGHTS AND ETHICS

We are committed to human rights and publish an annual Communication on Progress as part of our membership of the United Nations Global Compact which can be found at [www.ipfin.co.uk/sustainability](http://www.ipfin.co.uk/sustainability). Our values and Code of Ethics provide a statement of our principles in this area and these are communicated to employees, built into our training programmes and are integrated into policies, processes and mechanisms. We are aware that our human rights and ethics considerations will evolve as the business grows and new products are launched so we are establishing Ethics Working Groups in each of our businesses on an ongoing basis, reporting into the Reputation and Regulation Committee. We also provide employees with access to a confidential whistle-blowing hotline to ensure that any concerns can be escalated appropriately.



## 3

# Relevant

Our home credit business model is valued by our customers but as consumers increasingly adopt new technologies and interact with businesses via smart phones and tablets, we are modernising our business to meet changing customer demands and to make the most of future opportunities to build a long-term sustainable business.

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# T4G in action

Transformation for Growth (T4G) underpins the transformation of our core agent business. It is our strategic response to customer/agent demand, regulatory change and increasing competition to make the business more sustainable and provide incremental, profitable growth. In 2014, we saw increased momentum and progress made by our T4G teams as the core architecture for the programme was transformed into key deliverables.



## 1. Becoming a genuine multi-channel business

Modernising our systems to become a multi-channel business will deliver a more technology-enabled approach to serving customers through our agent network.

To improve lending quality our credit decision system, which uses credit bureaux data, was fully implemented in Poland and tested in Bulgaria. We will extend this to the Czech Republic, Slovakia, Romania and Spain in 2015. Credit bureaux are already integrated in our credit decision-making in Hungary, Mexico and Lithuania.

We launched a real-time service on our customer-facing website in Poland giving consumers an instant decision in principle as to whether they can take a loan with us ahead of a confirmatory agent visit. Early

results indicate this instant decision option is appealing to customers who are opting for this solution with higher conversion of online applications to leads for agents to progress. Our plan is to rollout this service to our other European markets in 2015.

## 2. Broadening the product range

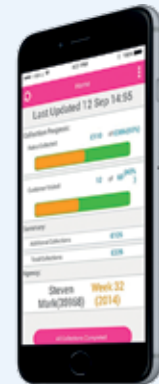
We are offering more products to attract and retain customers from more consumer segments. We launched monthly home credit loans in Poland, which for customers who are paid monthly, suits their lifestyle and financial rhythm. In Slovakia and Mexico we launched prepaid cards to deliver loans. We will launch both product offers in all our established European markets in 2015.

We are also evolving our home credit offer to target specific segments of customers so widening its appeal to more people. In Poland and the Czech Republic we introduced products with specific health and life cover benefits for our senior customers. In Poland and Mexico we are testing a small business loan aimed at self-employed customers.

## 3. Modernising the service model

Our ProXXI programme – Provident in the 21st century – has delivered tablet technology for Development Managers supported by behaviour and culture change. It provides our teams with data regarding customer and agent performance, which was previously only available on paper. This has enabled them to spend more time on coaching and performance management of their agents and reduced non value-add activities.

In Poland, ProXXI also won the 2014 Project Excellence award.



## Looking ahead to 2015

2015 will be another important year for our T4G programme with further products and channels being rolled out across markets and benefits starting to come through.

The environment in which our business operates will continue to evolve but we are confident that the changes that T4G is making will deliver real benefits to all our stakeholders.

“The tablet is a great help in my everyday work and is also a great opportunity. It makes my work faster, so I have more time to support and develop my colleagues. It’s great that all customer data is accessible any time.”

Tamás Orosz Nyíregyháza,  
Development Manager  
Hungary



# Capturing digital opportunities

The rapidly growing use of mobile devices has created opportunities to reach new customers who want to borrow digitally and communicate remotely.

Introducing a digital lending proposition is one of our key strategic priorities to reach new customer segments and we have made two significant developments. We launched our first digital online loan offer, hapiloans, in Poland and we acquired MCB Finance, a profitable digital consumer finance provider.

The focus for our digital business is on a new, separate segment of customers within our target audience who have distinct needs. Compared to a typical home credit customer, these consumers are younger, single and want to borrow online.

## HAPILOANS

We have created an attractive, online proposition for this consumer segment. Presented as a distinctive, contemporary brand, hapiloans is delivered direct to our customers' bank accounts. New customers can borrow between 1500PLN and 7500PLN with loan terms over three months to two years, and up to three years for repeat customers. The key features include:

- competitive pricing;
- fixed monthly repayments;
- quick and simple;
- rewards for good repayment behaviour; and
- payment holidays.

## MCB FINANCE

MCB Finance, which was established in 2006, operates in five markets: Finland, Estonia, Latvia, Lithuania and Australia.

**Credit24**  
**sving**

The business is an experienced, profitable and successful credit operation with two brands – Credit24 and Sving.

Our first corporate acquisition brings an online loan offering and credit line product together with new distribution and service channels. We will also benefit from the experienced management team to accelerate the development of our digital lending business. To date, MCB Finance's growth has been constrained by its capital structure but as part of our Group, it will benefit from the investment support and funding required to grow the business. Our plan is to integrate our hapiloans business into MCB Finance and commence plans for the rollout of this digital business in our existing markets.



An aerial photograph of a densely packed Mexican city, likely Puebla, showing a mix of colorful buildings in shades of blue, yellow, red, and white. A prominent white building with a yellow facade and a clock tower is visible in the lower right. The city is built on a hillside, with buildings cascading down the slope.

# Mexico- fulfilling the promise

"Personally I'm very excited about the progress we have made in the last couple of years, the business we have created and the future potential for Provident."



Robert Husband  
*Country Manager, Mexico*



# 786,000

Customers

# 2,650

Employees

# 9,850

Agents

## WHY MEXICO?

We entered Mexico in 2003 – the first market outside our core operations in Europe. Today we are still asked the question: why do you have a business in Mexico that is geographically removed from your other international businesses?

The answer is simple. In 2003 we identified a substantial market for short-term credit, built on the foundations of a rapidly growing economy and a large proportion of the population that wanted access to credit but who were underserved by mainstream lenders. The situation today is no different, except that after eleven years in Mexico, we are now fulfilling the promise of those early years.

We have made excellent progress towards our stated target of MXN \$660 profit per customer in 2015. Profit per customer in 2014 was MXN \$477 and we now have 786,000 customers. We are delighted with the progress made over the last three years and excited by the future potential of this market which, at maturity, has the potential to reach three million customers and double the Group's profitability.

### Profit per customer (MXN\$)

2012	283
2013	416
2014	477

### Customer ('000)

2012	683
2013	744
2014	786

### Profit before tax (£M)

2012	9.2
2013	14.5
2014	16.5

## THE MARKET POTENTIAL

Mexico is a large country. Geographically it is roughly the same size as Spain, the UK, France, Italy and Germany put together and it has a growing population of 112 million. A large proportion of the population is unbanked and our target market equates to more than 60 million people. The opportunity for us becomes even more apparent when you consider that credit to the private sector as a percentage of Gross Domestic Product (GDP) is just 30%. Compared to Brazil where it stands at 70%, Chile 100% and the United Kingdom at 165% – there is great potential for our business in Mexico.

One of the reasons why the Mexican economy has performed so well over recent years is because its people have a strong entrepreneurial spirit. This is something that we see in our customers every day. The majority of our customers are women, middle-aged and with a limited credit history, which is similar to our other markets in Europe. In Mexico, however, many of our customers are self-employed and it is not unusual for our customers to be taking out a loan so they can finance their own businesses; buying the things they need to run their market stalls or local businesses selling everything from kitchenware to tortillas to fruit. It is this entrepreneurial spirit, this resilience, which has driven a strong demand for our loans since we launched.

With respect to the competitive landscape, there are many credit providers, but Provident is the only home credit business in Mexico. Compartamos Banco is our nearest competitor delivering group loans where the repayment liability is shared typically between up to a dozen people. Other prominent lending businesses include Financiera Independencia, which offers more traditional branch-based lending, and Banco Azteca, which specialises in store credit for white goods. Pawn shops are also a popular choice for customers looking for credit.

**DELIVERING ON OUR PROMISE**

To support our growth plans we focussed our efforts on adapting our European business model to the Mexican culture and people as well as making operational improvements.

Alongside a raft of changes such as new recruitment and development programmes, the introduction of credit bureaux and new incentive programmes, we added an additional branch management layer into the operational design which is unique to Mexico. This provides our people with additional support, guidance and coaching which was especially critical as the sheer size of the country meant our managers were stretched geographically. We also changed our leadership style to make it more visible and more culturally aligned to Mexico.

When the current Mexico business strategy was launched in 2011 we had 662,000 customers and generated a profit per customer of MXN \$154 per annum. As we progress towards the delivery of MXN \$660 profit per customer in 2015, there are three key drivers that will help us realise our ambition.

**1. LARGER LOANS TO INCREASE REVENUE PER CUSTOMER**

Since 2011 we have introduced European-based credit rules which offer our best customers higher-value loans over a longer term, driving up revenue per customer. Today nearly all our branches operate with these credit rules. We have also introduced credit bureaux into our credit scoring systems, which has filtered good-quality customers coming into the business and allowed us to offer them higher-value loans. These actions together with a focus on managing impairment as a percentage of revenue, have resulted in credit issued per customer increasing 50% since 2011.

**2. DRIVE DOWN AGENT TURNOVER TO IMPROVE CREDIT QUALITY**

We have worked hard to decrease agent turnover so as to strengthen customer relationships and enhance our sales and collections performance. We have devised new recruitment tools, redesigned our induction and training programmes and recognised and empowered our top performers with segmented commission studies. As a direct result of these activities, agent turnover has decreased from 74.0% in 2011 to 41.1% in 2014. This is comparable with our European markets and we will continue to build on this.

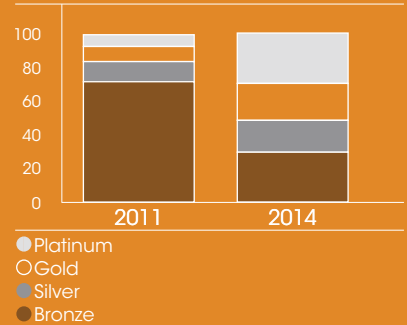


**CASE STUDY**

*The Branch Matrix*

To help the Mexican business deliver its business goals, the team introduced a simple operational tool called the Branch Matrix. This is a scorecard with five key measures that helps our management understand where they are, what 'good' looks like and how they can move from Bronze through to a Platinum performance. The scorecard is aligned to customer profitability and reports on key performance indicators such as agent retention, productivity and collections performance. This initiative has supported a tangible performance improvement and it will continue to drive the business forward.

**The Branch Matrix**



## CASE STUDY

## What it means to be a Provident Customer

Mrs Olga Ramos Hernandez turned to Provident because she needed a short-term loan to help resolve a family emergency quickly. With the cash promptly supplied and with an affordable weekly repayment rate, Olga trusts Provident to deliver. She also likes the fact that she can always talk to her agent should the need arise and says the customer service is very friendly. Having had a great first impression, Olga fully intends to maintain her relationship with Provident as she makes plans for her family's future.

"Provident seems to me a very good option. Payments are affordable, loans are delivered quickly and the customer service from my agent is the best, very friendly."

Olga Ramos Hernandez,  
Customer



Agents visit customers in their home providing a convenient and personal service

## CASE STUDY

## Creating a coaching culture

ProXXI is our way of creating a more empowered field workforce through technology, behavioural and organisational change. Fostering a coaching culture is important in Mexico and initial feedback from pilot branches in Mexico suggests that its introduction is already making a positive contribution. In addition to reducing paperwork, ProXXI has freed up the time of our Development managers so they can focus more effort on developing their business and supporting their agents.

"Last Saturday was the first time I did not have to come to the Branch and the result was very productive. I was able to go out into the field early, visiting 14 customers with an agent. The ProXXI initiative has given us the ability to spend more time with our agents and customers, which is really important in our job."

Angélica Martínez,  
Development Manager

REGIONAL GEOGRAPHICAL FOOTPRINT SINCE INCEPTION



We launched in Puebla in 2003 and expanded into Guadalajara in 2005, Monterrey in 2010 and Mexico City in 2013



43M

Puebla

25M

Guadalajara

5M

Monterrey

9M

Mexico City

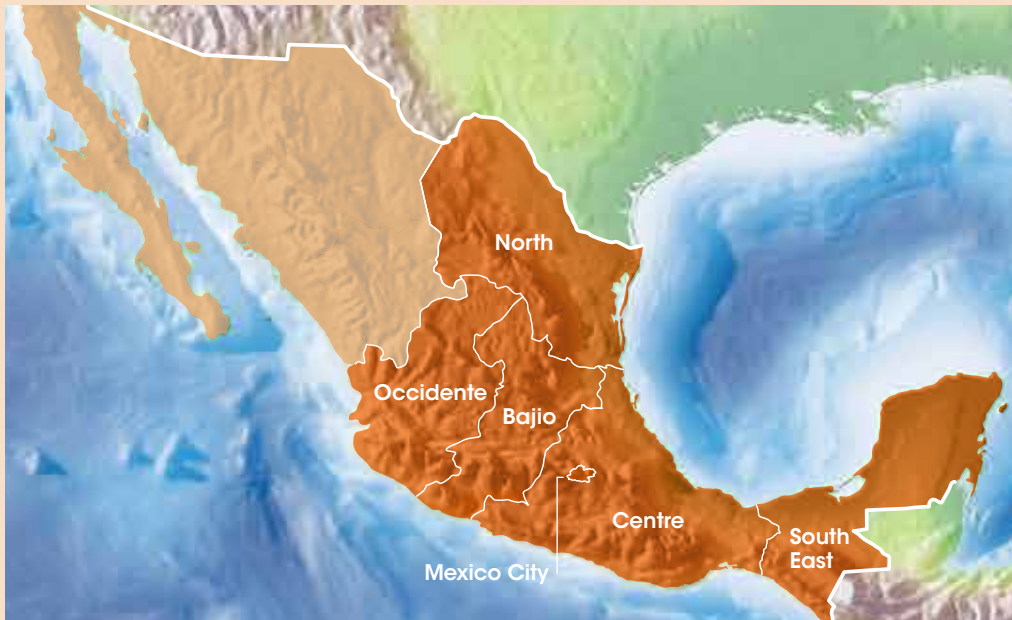
82M

Total population

TARGETING A CUSTOMER BASE OF 3 MILLION



We redrew our regions to provide a platform to expand our business significantly to reach three million customers in the long term



9M

North

14M

Bajío

12M

Occidente

24M

Mexico City  
Conurbation

30M

Centre

11M

South East

100M

Total population

### 3. INCREASE OUR CUSTOMER BASE

The third growth driver is to service more customers so we can meet our stated ambition of delivering three million customers at maturity. We will do this by expanding our footprint, introducing new products, distribution and service channels as well as developing our people through ProXXI and other transformation and development programmes.

Towards the end of 2013, we opened our first branch in Mexico City and we are now in the process of building our penetration in order to service a population in excess of 20 million. In the long term, we will expand our operations by expanding our branch network so we can service a population in excess of 100 million people.

We recognise the role that product innovation plays in capturing the full potential of this exciting market. In 2014 we introduced Provident Plus which offers family life insurance, medical assistance and discounts at a network of pharmacies – giving our customers additional reassurance when taking out a loan. More than 100,000 customers have already taken advantage of this new product. Following a successful pilot in 2014, we will commence the rollout of our prepaid card as a new distribution channel. We also plan to expand home credit loans tailored specifically to the needs of entrepreneurial small business owners.

### OUR PEOPLE

Having the right people with the right skills at all levels across our organisation will be crucial to realising our growth potential. We have widened our talent pipeline, put robust succession plans in place, strengthened our leadership culture and introduced sustainable growth-oriented performance management. We have also recently been recognised with a Great Place to Work 2014 award.

Our business is in great shape with a great team in place. As we move through 2015, our focus will be on reaching our MXN \$660 profit per customer target and growing our business to deliver future growth.



# Our Performance

We delivered a record full year profit with underlying growth of 21.5%.

## 2014 RESULTS

We delivered a full year profit to £123.5 million before tax and exceptional items with strong underlying profit growth of £25.4 million (21.5%) offset by £9.0 million

of additional new business investment costs and £11.0 million from adverse FX movements. We also made significant progress against all four pillars of our strategy which will drive future growth.

We delivered a 2% increase in customer numbers to 2.6 million and credit issued growth of 5%. This level of growth was lower than expected, particularly as we progressed through the fourth quarter. Our European markets faced a more challenging trading environment as competition intensified in Poland and the Czech Republic. Whilst we have adapted to the challenges faced, this increased competition, together with the regulatory changes in Slovakia, have impacted customer number growth, certain elements of collections behaviour and the growth in credit issued. Impairment also increased in some of our markets and we responded by selectively tightening certain credit settings.

We have implemented a number of actions including customer promotions and targeted credit easing to reverse the recent slower growth. This will be underpinned by geographic expansion, and new product and channel developments. We will also invest in targeted marketing campaigns, align incentives to support growth and improve the productivity of our agency force.

Strong credit issued growth in 2013 and the first half of 2014 resulted in a 15% increase in average net receivables which, in turn, generated revenue growth of 13%. As expected we saw some contraction of revenue yields and anticipate that this will continue in 2015 as the proportion of customers taking larger and longer-term loans and preferentially priced loans increases. However, revenue is expected to continue its strong growth trend.

The Group results are set out below:

	2014 £M	2013 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	2,640	2,578	62	2.4	2.4
Credit issued	1,022.0	1,050.8	(28.8)	(2.7)	4.7
Average net receivables	760.6	710.0	50.6	7.1	15.2
Revenue	783.2	746.8	36.4	4.9	12.7
Impairment	(220.0)	(198.6)	(21.4)	(10.8)	(18.8)
	563.2	548.2	15.0	2.7	10.5
Finance costs	(45.3)	(49.0)	3.7	7.6	0.4
Agents' commission	(90.8)	(86.1)	(4.7)	(5.5)	(13.4)
Other costs	(303.6)	(295.0)	(8.6)	(2.9)	(9.5)
Profit before taxation and exceptional items	123.5	118.1	5.4	4.6	
Exceptional items	(23.3)	12.4	(35.7)		
<b>Statutory profit before taxation</b>	<b>100.2</b>	130.5	(30.3)		



Credit quality is good. At 28.1%, Group impairment as a percentage of revenue is in line with our 2014 half-year result and well within our target range of 25% to 30%. At the half year, we implemented credit tightening in the Czech Republic, Slovakia and Romania to reduce impairment which had increased above our target range. Whilst impairment is slightly above the range in Mexico, we are comfortable with this level.

We continued to manage costs tightly and our cost-income ratio improved year-on-year by a further 0.7 percentage points to 38.8% after absorbing £5.5 million of further development costs in our new markets of Lithuania and Bulgaria and £3.5 million of start-up costs for Spain and hapiloans. The cost-income ratio adjusted for the latter two new investments improved to 38.3%, a reduction of 1.2 percentage points on 2013. Central costs included the MCB Finance acquisition costs of £1.1 million.

We have materially lowered the cost of funding through the Eurobond refinancing. Finance costs were in line with 2013 with the benefit of the funding costs offset by higher borrowings to fund receivables growth and acquisitions. Agents' commission costs, which are based largely on collections in order to promote responsible lending,

increased by 13% to £90.8 million broadly in line with growth of the business.

## SEGMENTAL RESULTS

The following table below demonstrates our underlying performance in each of our markets and highlights the impact of our investment in new businesses and weaker FX rates against sterling. Weaker FX rates had a significant impact on reported profit in 2014. These currency headwinds have continued into 2015 and current FX rates are weaker than the effective rates used to translate profits in 2014.

Following the acquisition of MCB and the launch of hapiloans, the Board is undertaking a review of the reporting segments that it will use to assess the Group's performance going forward. As the Group expands, we anticipate reporting by business line (Home Credit and Digital) and by geographic region, and we will provide further detail in due course.

## EXCEPTIONAL ITEMS

The income statement includes an exceptional loss of £23.3 million. This comprised a £22.6 million premium incurred on the buyback of €190.2 million (£152.5 million) of existing 11.5% Eurobonds due 2015 and

£0.7 million of unamortised arrangement fees incurred following the refinancing of £100 million of bank facilities due to mature in early 2015.

## OUTLOOK

Our immediate focus is now on generating higher levels of customer and credit issued growth. We have implemented a number of growth focussed actions and these will be underpinned by the progress we made in 2014 on expanding our geographic footprint, launching new products and establishing our digital business, all of which will support the delivery of higher levels of customer and credit issued growth in 2015 and beyond. We have already seen the early signs of these actions bearing fruit. While there is a degree of uncertainty in the macroeconomic outlook, GDP forecasts in our markets are supportive of growth and the market sectors that we operate in continue to exhibit attractive growth opportunities. Overall, we believe that the business is well placed to make good progress in 2015.

### Segmental results

	<b>2014 reported profit £M</b>	Underlying profit movement £M	New business costs £M	Weaker FX rates £M	2013 reported profit £M
Poland-Lithuania	<b>71.0</b>	16.4	(3.8)	(3.9)	62.3
Czech-Slovakia	<b>24.3</b>	(4.7)	-	(3.5)	32.5
Hungary	<b>24.0</b>	6.3	-	(1.7)	19.4
Romania-Bulgaria	<b>4.9</b>	5.4	(3.2)	(0.4)	3.1
Mexico	<b>16.5</b>	3.5	-	(1.5)	14.5
Spain	<b>(2.0)</b>	-	(2.0)	-	-
UK costs	<b>(15.2)</b>	(1.5)	-	-	(13.7)
<b>Profit before taxation*</b>	<b>123.5</b>	25.4	(9.0)	(11.0)	118.1

\* Before exceptional items



David Parkinson  
Country  
Manager

**“We delivered good growth in receivables, controlled costs tightly and achieved a strong profit performance.”**

Reported profit before tax increased 14% to £71.0 million representing a strong underlying profit growth of £16.4 million, offset by a £3.8 million investment in growing our new Lithuanian business and developing hapiloans. In addition, adverse FX movements of £3.9 million were absorbed.

Following a strong first half performance, we faced more challenging trading conditions as levels of competition, particularly for share of voice from payday lenders, continued to increase. These factors contributed to a slowdown in growth, particularly as we approached the year end, and we delivered a 1% increase in customers to 848,000 and credit issued growth of 3%. Average net receivables increased by 12% generating revenue growth of 10%.

Credit quality in Poland and Lithuania is good and we delivered a 1.2 percentage point improvement in annualised impairment as a percentage of revenue to 27.3%

compared to 2013. We also benefited by £5.5 million from the sale of non-performing receivables in the third quarter.

We continued to manage costs tightly, whilst investing in Lithuania and hapiloans, and delivered a 0.7 percentage point improvement in the cost-income ratio to 32.7%.

In Lithuania, we achieved national coverage and are now serving approximately 7,000 customers. Nationwide marketing has been implemented to accelerate customer and credit issued growth in 2015.

While continuing to invest in Lithuania, other costs were managed tightly. Including investment in Lithuania and hapiloans, the year-on-year cost-income ratio for Poland and Lithuania improved by 0.7 percentage points to 32.7%.

#### Outlook

Looking ahead, the competitive environment is likely to remain challenging but we plan to accelerate growth through increasing product choice and making it easier for customers to access our products. This will be achieved through a combination of new product offers and utilising new distribution channels including a

monthly home credit service, loans to self-employed customers and enhancing sales through brokers, a growing sales channel for consumer lending in Poland. In Lithuania, we now have full market infrastructure in place and, using the lessons taken from Poland relating to product and channel innovation, we plan to deliver continued growth in customers and credit issued.



*Poland and Lithuania*

	2014 £M	2013 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	848	841	7	0.8	0.8
Credit issued	372.6	380.4	(7.8)	(2.1)	3.1
Average net receivables	299.4	282.6	16.8	5.9	11.5
Revenue	308.8	295.7	13.1	4.4	9.9
Impairment	(84.2)	(84.3)	0.1	0.1	(4.6)
	224.6	211.4	13.2	6.2	12.0
Finance costs	(18.7)	(20.2)	1.5	7.4	2.1
Agents' commission	(33.8)	(30.0)	(3.8)	(12.7)	(18.2)
Other costs	(101.1)	(98.9)	(2.2)	(2.2)	(7.0)
Profit before taxation	71.0	62.3	8.7	14.0	
Poland – home credit	76.6	64.2	12.4	19.3	
Poland – hapiloans	(1.5)	-	-	-	
Lithuania	(4.1)	(1.9)	(2.2)	(115.8)	
Profit before taxation	71.0	62.3	8.7	14.0	



Petr Sastinsky  
Country  
Manager

# Czech Republic and Slovakia

“Our business faced a challenging year in 2014 but we are working to return the business to growth.”

We delivered modest growth in the first half of the year but difficult trading conditions, regulatory changes and strong competition impacted growth significantly resulting in a reduction in customer numbers and credit issued. This, in turn, led to reported profit before tax decreasing to £24.3 million after absorbing a £3.5 million adverse impact from weaker FX rates.

In the Czech Republic, competition from other home credit operators, banks and the emergence of payday lenders intensified in the second half of the year whilst demand for consumer credit remained flat. In Slovakia, our team were faced with a number of regulatory changes, the disruptive effects of which proved longer-lived and more extensive than initially anticipated. In addition, we implemented selected credit tightening in both markets in Q4. As a result of these constraints on growth, customer numbers contracted 6%

year-on-year to 360,000 and credit issued decreased by 7%.

This trading environment together with a collections performance that reflected the impact of the regulatory changes in Slovakia resulted in impairment as a percentage of revenue slightly above our target range in the third quarter. Our programme of credit tightening in Q4 2014 together with the implementation of incentives for field managers and agents aligned to collections performance has resulted in impairment as a percentage of revenue stabilising at 30.7%, as anticipated, ahead of its expected return to within our target range in 2015.

#### Outlook

We have a new management team in place that is working to return the business to growth. We are responding to the challenging trading landscape and will seek growth in 2015 through the introduction of new products, investing in customer promotions, targeted marketing and improved lead management. Our growth strategy is also being supported by continued strong motivation of the sales force and a focus on improving portfolio quality.



	2014 £M	2013 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	360	381	(21)	(5.5)	(5.5)
Credit issued	195.8	230.2	(34.4)	(14.9)	(6.9)
Average net receivables	158.8	161.7	(2.9)	(1.8)	7.7
Revenue	136.9	142.8	(5.9)	(4.1)	5.1
Impairment	(42.0)	(33.8)	(8.2)	(24.3)	(35.9)
Finance costs	94.9	109.0	(14.1)	(12.9)	(4.4)
Agents' commission	(8.1)	(9.5)	1.4	14.7	5.8
Other costs	(13.8)	(15.4)	1.6	10.4	2.1
Other costs	(48.7)	(51.6)	2.9	5.6	(2.3)
Profit before taxation	24.3	32.5	(8.2)	(25.2)	



Botond Szirmak  
Country  
Manager

“We delivered another strong trading performance with a 24% increase in profit before tax to £24.0 million.”

Underlying profit grew by £6.3 million before the £1.7 million adverse impact of FX rates.

During the year we focussed on sustainable growth in Hungary where credit quality is excellent. We continued to ease credit selectively and incentivise our field force for growth. Other highlights included the introduction of a 100-week product in Q1 2014 and the completion of our ProXXI programme roll-out. Together, these factors resulted in a 6% increase in customer numbers to a record 326,000 which, in turn, drove credit issued growth of 10%.

Revenue growth was slower than average net receivables growth due to increased sales of preferential pricing offering.

Our collections performance was good and impairment as a percentage of revenue is 20.4%. This is well below our target range of 25% to 30% and indicates the scope to grow our Hungarian business further.

We will continue our programme of controlled credit easing to capture profitable growth opportunities in 2015.

Costs have been tightly managed and the cost-income ratio improved by a further 2.6 percentage points to 34.8% in 2014.

#### Outlook

The consumer credit market in Hungary is growing and competition from banks is likely to continue. We have excellent brand awareness in this market and will invest in TV and online marketing strategies to retain high consumer awareness levels and attract customers. We will also introduce new products and channels, and rolled out our home and personal accident insurance offer nationwide in January 2015. The new payment to income legislation in Hungary is likely to have some impact on business volumes as the market advances to the change. We have modified our product offering to be compliant with the new regulations and we are monitoring the impact that this change will have on customer appetite for borrowing.



Hungary

	2014 £M	2013 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	326	307	19	6.2	6.2
Credit issued	138.7	138.5	0.2	0.1	9.7
Average net receivables	106.5	97.3	9.2	9.5	19.9
Revenue	101.9	97.6	4.3	4.4	14.2
Impairment	(20.8)	(18.4)	(2.4)	(13.0)	(26.8)
Finance costs	(6.7)	79.2	1.9	2.4	11.4
Agents' commission	(14.9)	(7.5)	0.8	10.7	2.9
Other costs	(35.5)	(15.8)	0.9	5.7	(3.5)
Profit before taxation	24.0	(36.5)	1.0	2.7	(5.0)
		19.4	4.6	23.7	



Viktor Boczán

Country  
Manager

# Romania and Bulgaria

“Our business increased profit before tax to £4.9 million including £2.7 million generated from a non-performing debt sale.”

The underlying profit growth of £5.4 million was offset by an additional £3.2 million investment in the development of Bulgaria and a £0.4 million adverse FX impact.

Our investment to grow the branch infrastructure in Romania in 2013 together with selective credit easing and the roll-out of longer-term loans delivered strong growth in the first half of the year. While we were pleased with the sales growth achieved, it also resulted in impairment as a percentage of revenue rising above our target range of 25% to 30%. We implemented selective credit tightening in the second half of the year and this resulted in a softening of the rate of growth and taking the year as a whole, customer numbers increased 5% to 320,000 and credit issued grew by 8%. The strong increase in credit issued in 2013 and the first half of 2014 contributed to very strong growth in average net receivables of 23% and a 19% increase in revenue.

Our programme of selective credit tightening together with the impact of the non-performing debt sale delivered an improvement in impairment as a percentage of revenue of 1.2 percentage points since the half year to 31.1%. We will continue to monitor credit settings and introduce credit bureaux to target improved credit quality and expect to deliver impairment into our target range of 25% to 30% during the first half of 2015.

In Bulgaria, we continued our geographic expansion in 2014 with the opening of nine locations and we now serve 12,000 customers. Investment in 2015 is expected to be around £3.5 million.

Our team managed costs very tightly and, excluding the £3.2 million investment in Bulgaria, the Romanian business achieved a significant 5.6 percentage point improvement in the cost-income ratio to 40.3% year-on-year.

#### Outlook

Customer growth remains at the heart of our strategy and will be driven by enhanced acquisition channels and further developing the sales capability of our field force. We will also accelerate growth in customers and credit issued in Bulgaria as the business becomes well-established and reaches national coverage.



	2014 £M	2013 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	320	305	15	4.9	4.9
Credit issued	107.0	104.8	2.2	2.1	8.1
Average net receivables	70.4	60.8	9.6	15.8	22.9
Revenue	75.3	66.8	8.5	12.7	19.3
Impairment	(23.4)	(18.9)	(4.5)	(23.8)	(30.7)
Finance costs	51.9	47.9	4.0	8.4	14.8
Agents' commission	(4.4)	(4.8)	0.4	8.3	2.2
Other costs	(7.0)	(6.8)	(0.2)	(2.9)	(9.4)
	(35.6)	(33.2)	(2.4)	(7.2)	(12.7)
<b>Profit before taxation</b>	<b>4.9</b>	3.1	1.8	58.1	
Romania	10.5	5.6	4.9	87.5	
Bulgaria	(5.6)	(2.5)	(3.1)	(124.0)	
Profit before taxation	4.9	3.1	1.8	58.1	



Robert Husband  
Country  
Manager

“We delivered another good performance and continued on our path to deliver MXN \$660 profit per customer in 2015.”

Strong growth delivered an increase in profit per customer from MXN \$416 in 2013 to MXN \$477. In those branches which have been open for at least two years, we delivered a 30% increase in profit per customer to MXN \$543, indicating the degree of operating leverage that we can obtain from maturing infrastructure. Reported profit increased 14% to £16.5 million and underlying profit grew by £3.5 million before absorbing £1.5 million as a result of weaker FX rates.

We increased customer numbers by 6% to 786,000 and credit issued by 16% driven, in part, by further expansion of our geographic footprint.

Substantially all our branches in Mexico have now implemented our new credit settings and this controlled credit easing together with offering higher value loans

contributed to very strong growth in average net receivables and revenue of 28% and 22% respectively.



Impairment as a percentage of revenue was slightly above our target range at 30.9%. We are comfortable with this level of impairment in Mexico given the mix of new and repeat customers in this growing market.

In addition to investment in geographical expansion, our team in Mexico managed costs well which resulted in a further 1.5 percentage point improvement in the cost-income ratio to 41.0%. Agents' commission costs increased at a faster rate than revenue reflecting our strategy of agent segmentation and paying higher performance-based commission levels to our best quality agents.

#### Outlook

In 2015, our focus will be on growing our Mexico business to reach MXN \$660 profit per customer target. To reach more customers, we plan to expand further with three branch openings, continue growth in Mexico City, and increase the size of our agency force. This will be supported by an evolving product suite which will deepen customer relationships through our Provident Plus insurance offer, prepaid cards and a new business loan proposition for self-employed customers.

	2014 £M	2013 £M	Change £M	Change %	Change at CER %
Customer numbers (000s)	786	744	42	5.6	5.6
Credit issued	207.8	196.9	10.9	5.5	15.7
Average net receivables	125.4	107.6	17.8	16.5	27.6
Revenue	160.3	143.9	16.4	11.4	21.9
Impairment	(49.6)	(43.2)	(6.4)	(14.8)	(25.6)
	110.7	100.7	10.0	9.9	20.3
Finance costs	(7.2)	(7.0)	(0.2)	(2.9)	(12.5)
Agents' commission	(21.3)	(18.1)	(3.2)	(17.7)	(28.3)
Other costs	(65.7)	(61.1)	(4.6)	(7.5)	(17.3)
<b>Profit before taxation</b>	<b>16.5</b>	14.5	2.0	13.8	

Mexico

# Enhancing shareholder returns



"A key success was refinancing our core Eurobond and securing a 50% reduction in the coupon."

Adrian Gardner  
Chief Financial Officer

## Good progress made against financial objectives

We delivered underlying profit growth of 21.5% in 2014 offset by a £9.0 million increase in investment in new businesses and the £11.0 million impact of weaker FX rates. A key success during the year was refinancing our core Eurobond funding and securing a 50% reduction in the coupon together with renewing £100 million of bank facilities. This reduction in cost was the catalyst for reviewing the Group's capital structure and reducing our target equity to receivables ratio in two stages from 50% to 40% because

it allows us to maintain our interest cover ratio with higher levels of borrowings. The change in capital structure has facilitated an improvement in shareholder returns which has been delivered through completing 90% of a £50 million share buyback programme in the year and increasing our target dividend payout ratio from 25% to 35%. As a first step in moving to this new target, we are proposing a 29% increase in the full year dividend to 12.0 pence per share, which represents a payout ratio of 32% of pre-exceptional post-tax earnings.

## Key financial measures

	2014	2013
<b>Returns</b>		
Profit before tax (£M) <sup>1</sup>	123.5	118.1
Statutory profit before tax (£M)	100.2	130.5
Cash generated from operations (£M)	121.7	84.2
Adjusted earnings per share (pence) <sup>2</sup>	38.0	35.5
Statutory earnings per share (pence)	30.2	39.2
Dividends (pence)	12.0	9.3
Return on equity <sup>2</sup>	23.6%	22.9%
<b>Balance sheet and funding</b>		
Debt facilities (£M)	650.0	575.8
Headroom on debt funding (£M)	171.7	175.3
Interest cover <sup>2</sup>	3.7	3.4
Gearing	1.3	1.0
Equity as a percentage of receivables	47.5%	50.2%

<sup>1</sup> Before an exceptional loss of £23.3 million in 2014 and an exceptional gain of £12.4 million in 2013.

<sup>2</sup> Presented before exceptional items in order to better present the underlying performance of the Group.

### 2014 results

We delivered a good trading performance in 2014 with reported pre-tax profit increasing by £5.4 million (4.6%) to £123.5 million. Underlying profit increased by £25.4 million offset by additional new business investment of £9.0 million and £11.0 million from weaker FX rates. The effective FX rates in our markets were weaker in 2014 than in 2013 with the largest impacts being borne in Poland and the Czech Republic, which reflects their contribution to Group profit together with the weakening of the Polish zloty and the Czech crown in comparison to sterling.

The income statement includes an exceptional loss of £23.3 million. This comprised £22.6 million incurred on the buyback in April 2014 of €190.2 million (£152.5 million at 30 June 2014) of existing 11.5% Eurobonds due 2015, and £0.7 million of unamortised arrangement fees incurred following the successful refinancing of £100 million of bank facilities due to mature in early 2015. The loss on the buyback arose because the existing Eurobonds were bought back at a premium to par value.

The taxation charge for the year on statutory pre-tax profit was £28.4 million (2013: £34.9 million) which equates to an effective rate of 28.3%. The underlying tax charge on pre-exceptional profit was £33.3 million which represents an effective tax rate of 27.0%. The effective tax rate is expected to remain broadly at this level in 2015.

The majority of the Group's net assets are denominated in our operating currencies and, therefore, their sterling value fluctuates with changes in FX rates. In accordance with accounting standards, we have restated the opening foreign currency net assets at the year end exchange rate and this resulted in a £42.3 million foreign exchange movement which has been changed to the foreign exchange reserve.

### Cash generated from operations

Our business model is cash and capital generative and the strong trading performance in 2014 generated operating cash flows of £121.7 million (2013: £84.2 million).

These operating cash flows funded a £36.3 million increase in net receivables (2013: £143.1 million) and left £121.7 million of internally generated funding to support capital investment, investor returns (including £45 million of share buybacks) and taxation.

### Returns

Our 2014 Group result reflects a combination of our more established markets in Europe and Mexico, our new markets of Lithuania and Bulgaria, and start-up costs for Spain and hapiloans. Our established markets have further opportunities for growth but have a relatively mature margin structure and profile of returns. In 2014 these markets generated a pre-tax profit margin of 19.5% and return on equity of 29.5%. As our new markets and start-up businesses mature, we expect them to have a similar margin structure and generate similar returns. The profit margin for the Group as a whole in 2014 was 15.8% and our return on equity was 23.6%.

	<b>2014</b>	2013
	<b>£M</b>	£M
Cash generated from operations		
Cash generated from operations before receivables growth	<b>158.0</b>	227.3
Receivables growth	<b>(36.3)</b>	(143.1)
<b>Cash generated from operations</b>	<b>121.7</b>	84.2

Returns	EPS <sup>1</sup>	Profit margin	ROE <sup>2</sup>
	(p)	(%)	(%)
Established markets	46.6	19.5	29.5
Central costs	(4.6)	-	-
Lithuania and Bulgaria	(3.0)	-	-
Spain and hapiloans	(1.0)	-	-
<b>Group</b>	<b>38.0</b>	<b>15.8</b>	<b>23.6</b>

1 Before exceptional loss of £23.3 million

2 For this purpose, equity has been calculated as 47.5% of receivables



### Balance sheet and capital structure

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

- we are well capitalised with equity representing 47.5% of receivables, the equivalent of a bank's Tier 1 ratio;
- gearing\* has increased from 1.0 times to 1.3 times reflecting the refinancing of the core Eurobond;
- 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.

### Debt funding and capital structure

We have a key objective of making the balance sheet work harder, and we are making good progress against this. The successful refinancing initiatives in 2014 have reduced financial risk and the cost of our external financing. This, in turn, allows us to lower our target equity to receivables capital ratio and increase our dividend pay-out ratio thus enhancing shareholder returns, whilst ensuring sufficient capital for future growth.

In H1 2014 we successfully refinanced our core Eurobond by completing the issue of a new €300M 7-year Eurobond with a coupon of 5.75%, which is half the rate of the existing 5-year 11.5% Eurobond issued in 2010; and also issued a new €40M 4-year Eurobond with a coupon of 4.25%. As part of this refinancing process, we bought back about 85% of our existing 11.5% Eurobonds due to mature in July 2015. In H2 2014 we renewed £100 million of bank

### Covenant compliance

		2014	2013
Gearing*	Max 3.75	1.3	1.0
Interest cover	Min 2 times	3.7	3.4
Net worth*	Min £250 million	359.0	392.0
Receivables: borrowings	Min 1.1:1	1.6	2.0

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

facilities due to mature in 2015. The new facilities mature in the second half of 2017.

We have a robust funding position with a lower-cost balanced debt portfolio including a range of bonds across a number of currencies, wholesale and retail, with varying maturities including significant long-term funding (£335 million 2020/21); and a range of bank facilities from a core group of banks with a good strategic and geographic fit. Our business continues to be strongly cash and capital generative and as we expand our business we expect to use a mix of funding sources, including retail and wholesale bond market funding, building on our successful track record in accessing those markets over the last two years.

With our interim results in July 2014, we announced a target capital ratio of 45%, with a £50 million share buyback to re-set the ratio over time. At December 2014 we had bought back about £45 million of shares, and the capital ratio was 47.5%.

We have now further reviewed our target capital ratio in the light of our new lower cost, longer-term funding and our overall robust balance sheet position and strong profitability; and we have concluded that it is appropriate to further reduce the target capital ratio to 40%. This means that we need to retain a lower level of capital to fund our growth. We considered carrying out a further programme of annual share buybacks but concluded that removing additional liquidity from our stock was not helpful. We have decided therefore that it is appropriate to increase the target dividend pay-out ratio to approximately 35% of post-tax earnings, from the current level of 25%. Any actions to reduce the capital ratio will accommodate the future capital needs of the business for growth.

### Dividend

As a first step in moving to our new target pay-out ratio of 35% of earnings, and subject to shareholder approval, a final dividend of 7.8 pence per share will bring the full year dividend to 12.0 pence per share (2013: 9.3 pence per share), an increase of 29% for the year. The full year dividend of 12.0 pence per share represents a total payment equivalent to approximately 32% of pre-exceptional post-tax earnings for the full year 2014. The dividend will be paid on 8 May 2015 to shareholders on the register at the close of business on 10 April 2015. The shares will be marked ex-dividend on 9 April 2015.

### Maturity profile of debt facilities and headroom

	Less than one year £M	One to five years £M	Six to seven years £M	Total £M
Short-term bank facilities	19.7	-	-	19.7
Syndicated and bilateral term bank facilities	11.1	152.2	-	163.3
Bonds	71.2	61.2	334.6	467.0
				650.0
Borrowings				478.3
Headroom				171.7

### 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, (directly or indirectly). We have fixed around 70% of our currency and interest costs for 2015, and 30% for 2016.

Our policy in respect of bank counterparty credit risk, is not to 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 2014, receivables were £760.5 million, which is £36.3 million (5%) higher than 2013 in constant currency terms and reflects the growth in the business. The average period of receivables outstanding was 5.6 months (2013: 5.8 months) with 94.9% of year end receivables due within one year (2013: 94.2%).

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 2015 and the forecasts for the four years to 31 December 2019 which include projected profits, cash flows, borrowings and headroom against facilities.

The Group's strategy is to have long-term debt capital at competitive cost for future growth. The Group maintains good access to those debt markets, and will use them as appropriate for the development of the business. The Group's committed funding through a combination of bonds and committed bank facilities, combined with its debt strategy and a successful track record of accessing debt funding markets, is sufficient to fund the planned growth of our existing operations and new markets for the foreseeable future. Taking these factors into account, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the Board has adopted the going concern basis in preparing these Financial Statements.



Adrian Gardner  
 Chief Financial Officer

Effective management of risks, uncertainties and opportunities, as mentioned in our investment case on page 6, is critical to our business in order to deliver long-term shareholder value and protect our people, assets and reputation. In 2014, we continued to face a

challenging external environment, particularly from changing regulation and competition. Internally, we have embedded our operational governance framework, as illustrated on page 57, and improved our risk management process to ensure the business continues to operate within

the Board-approved levels of risk appetite. The effectiveness of operating these processes is monitored by the Audit and Risk Committee, details of which can be found on pages 64 to 67. The risks facing the business by risk category are:

<i>Risk category</i>	<i>Definition</i>	<i>Risks</i>	<i>Description</i>
<b>MARKET CONDITIONS</b>	The risk that we cannot identify, respond to, comply with or take advantage of external market conditions.	<ul style="list-style-type: none"> <li>• Regulatory*</li> <li>• Competition and product proposition*</li> <li>• Funding*</li> <li>• Interest rate*</li> <li>• Currency*</li> <li>• Counterparty*</li> <li>• Taxation*</li> <li>• World economic environment*</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Adapting to competitive environment</li> <li>• Funding availability to meet business needs</li> <li>• Market volatility impacting performance and asset values</li> <li>• Loss of banking partner</li> <li>• Changes to, or interpretation of, tax legislation</li> <li>• Adapting to economic conditions</li> </ul>
<b>STAKEHOLDER</b>	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.	<ul style="list-style-type: none"> <li>• Reputation*</li> <li>• Customer Service</li> </ul>	<ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Maintenance of customer service standards</li> </ul>
<b>OPERATIONAL</b>	The risk of unacceptable losses as a result of inadequacies or failures in our internal core processes, systems or people behaviours.	<ul style="list-style-type: none"> <li>• Credit*</li> <li>• Safety*</li> <li>• People*</li> <li>• Service disruption and information security*</li> <li>• Financial and performance reporting</li> <li>• Technology</li> <li>• Business Operations</li> <li>• Fraud</li> </ul>	<ul style="list-style-type: none"> <li>• Customers fail to repay</li> <li>• Harm to our agents/ people</li> <li>• Quantity/calibre of people</li> <li>• Recoverability and security of systems and processes</li> <li>• Failure of financial reporting systems</li> <li>• Maintenance of effective technology</li> <li>• Effective operation of business model</li> <li>• Theft or fraud loss</li> </ul>
<b>BUSINESS DEVELOPMENT</b>	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.	<ul style="list-style-type: none"> <li>• New market and acquisition</li> <li>• Change Management*</li> <li>• Brand</li> </ul>	<ul style="list-style-type: none"> <li>• Growth of our footprint and operations</li> <li>• Delivery of strategic initiatives</li> <li>• Strength of our customer brand</li> </ul>



\* 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 64. 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 on page 49). Nine of these are considered to be the principal risks and uncertainties facing the Group.

<i>Risk</i>	<i>Relevance</i>	<i>Mitigation</i>	<i>Commentary</i>
<p><b>REGULATORY</b></p> <p>We suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with, or effectively anticipate changes in, all applicable laws and regulations, or an external party interpreting these in a different way.</p> <p><b>Objective</b>            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.</p>	<p>We must ensure we operate in compliance with all applicable legal and regulatory requirements.</p> <p>We must keep up to speed with regulatory developments to ensure we can remain competitive and provide value for our customers.</p> <p>Changes in regulation or differences in interpretation can lead to challenge of our products/practices.</p>	<p>We have highly skilled and experienced legal and public affairs teams at Group level and in each of our markets.</p> <p>Expert third party advisors are used where necessary.</p> <p>Strong relationships are maintained with regulators and other stakeholders.</p> <p>Co-ordinated legal and public affairs teams, at a Group level and in each market, monitor political, legislative and regulatory developments.</p>	<p>▼</p> <p><b>Lead Responsibility: Chief Financial Officer</b></p> <p>A number of legislative and regulatory changes continue to be proposed and debated, particularly in Europe.</p> <p>The Group is currently subject to some challenges over its interpretation of regulation. See page 20 for further details.</p> <p>We continue to maintain constructive relationships with regulators and opinion formers.</p>
<p><b>COMPETITION AND PRODUCT PROPOSITION</b></p> <p>We suffer losses or fail to optimise profitable growth through not responding to the competitive environment or failing to ensure our proposition meets customer needs.</p> <p><b>Objective</b>            We aim to ensure we understand competitive threats and deliver customer focussed products to drive growth.</p>	<p>In an environment of increasing competition and broadening customer choice (including digital offerings), ensuring our product meets customers' needs is critical to deliver growth.</p>	<p>Regular monitoring of competitors and their offerings in our markets.</p> <p>Competitor advertising and share of voice monitored.</p> <p>Regular surveys of customer views on our product offerings.</p> <p>Product development committees established across the Group to manage product change and introduce new products.</p>	<p>▼</p> <p><b>Lead Responsibility: Chief Executive Officer</b></p> <p>Competition continues to increase as noted on page 20.</p> <p>Our Strategy for Growth includes ongoing initiatives designed to improve product offerings, customer engagement and our ability to respond quickly to meet their needs.</p> <p>Process to diversify portfolio underway through introduction of hapiloans and acquisition of MCB Finance.</p>
<p><b>REPUTATION</b></p> <p>We suffer financial or reputational damage due to our methods of operation, ill-informed comment or malpractice.</p> <p><b>Objective</b>            We aim to promote a positive reputation that will enable the Group to achieve its strategic aims.</p>	<p>Our reputation can have an impact on both customer sentiment and the engagement of key stakeholders.</p>	<p>Group Reputation and Regulation Committee.</p> <p>Clearly defined corporate values and ethical standards which are communicated throughout the organisation.</p> <p>External monitoring of reputation.</p>	<p>◀▶</p> <p><b>Lead Responsibility: Chief Executive Officer</b></p> <p>Our businesses continue to achieve awards for ethical and effective operations.</p> <p>In light of the regulatory challenges being faced (see page 20), we continue to communicate our position to investors and other key stakeholders.</p>

**Key**

	Risk environment improving
	Risk environment remains stable
	Risk environment worsening

<i>Risk</i>	<i>Relevance</i>	<i>Mitigation</i>	<i>Commentary</i>
<p><b>SAFETY</b></p> <p>The risk of personal accident or assault of our agents or employees.</p> <p><b>Objective</b> We aim to maintain adequate arrangements that reduce the risks to be as low as is reasonably practicable.</p>	<p>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.</p> <p>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.</p>	<p>Group and market loss prevention committees and annual safety survey.</p> <p>Bi-annual risk mapping for each agency including mitigation planning and field safety training.</p> <p>Annual self-certification of safety compliance by managers.</p> <p>Quarterly branch safety meetings.</p> <p>Role-specific training and competence matrix.</p> <p>Safety management systems based on internationally recognised standards.</p>	<p> <b>Lead Responsibility: Chief Commercial Officer</b></p> <p>We continued to make progress in our safety management systems throughout 2014.</p> <p>Safety continues to be a significant area of focus for the Group.</p>
<p><b>PEOPLE</b></p> <p>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.</p> <p><b>Objective</b> We will have sufficient depth of personnel to ensure we can meet our growth objectives.</p>	<p>Our Strategy for Growth includes plans to expand our footprint both in existing and new markets.</p> <p>In order to achieve this growth we must continue to attract, retain and reward the right people.</p>	<p>People and Organisational Planning process operating throughout the Group.</p> <p>Group-wide personal development review process and continuous development through tools such as 360 feedback and targeted leadership programmes.</p> <p>Periodic employee and agent engagement surveys and improvement plans.</p> <p>Group standard employee competency framework aligned to Strategy for Growth.</p>	<p> <b>Lead Responsibility: Chief Executive Officer</b></p> <p>Our succession and development processes ensure plans to develop key individuals are in place.</p> <p>Employee and agent retention was stable in 2014.</p> <p>Our people strategy focusses on creating a culture of high engagement, identifying and nurturing talent and empowering people as noted on pages 26 and 27.</p>

<i>Risk</i>	<i>Relevance</i>	<i>Mitigation</i>	<i>Commentary</i>
<p><b>SERVICE DISRUPTION AND INFORMATION SECURITY</b></p> <p>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.</p> <p><b>Objective</b>            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.</p>	<p>Globally we have 2.6 million customers and we record, update and maintain data for each of them on a weekly basis.</p> <p>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.</p>	<p>Agreed standard operating procedures for handling, transmitting and storing information, supported by formal training arrangements.</p> <p>Core head-office based systems operate in a virtualised environment and are supported by service level agreements.</p> <p>Agreed and tested business continuity plan for all branches and head office functions.</p> <p>Business Impact Assessments performed at least every two years.</p> <p>Group and market level governance committees that oversee our service disruption and information security arrangements.</p>	<p>◀▶</p> <p><b>Lead Responsibility: Chief Commercial Officer</b>            We have developed management systems based on ISO standards.</p> <p>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.</p> <p>Information security capability was further enhanced including implementation of various technical solutions and bolstering of the skills base across the Group.</p>
<p><b>TAXATION</b></p> <p>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.</p> <p><b>Objective</b>            We aim to generate shareholder value through effective management of tax whilst acting as a good corporate citizen.</p>	<p>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.</p>	<p>Binding rulings or clearances obtained from authorities where appropriate.</p> <p>External advisors used for all material tax transactions.</p> <p>Qualified and experienced tax teams at Group level and in market.</p>	<p>◀▶</p> <p><b>Lead Responsibility: Chief Financial Officer</b>            We continue to ensure our interpretation of taxation legislation is defensible through maintaining a strong governance framework, ensuring each mature market and Group employs tax professionals, and taking external advice where relevant.</p> <p>Tax audits are currently being undertaken in Poland and Mexico. See page 113 for further information.</p>

**Key**

▲	Risk environment improving
◀▶	Risk environment remains stable
▼	Risk environment worsening

<i>Risk</i>	<i>Relevance</i>	<i>Mitigation</i>	<i>Commentary</i>
<p><b>CHANGE MANAGEMENT</b></p> <p>We suffer losses or fail to optimise profitable growth due to a failure to manage change in an effective manner.</p> <p><b>Objective</b> We aim to effectively manage the design, delivery and benefits realisation of major global change initiatives and deliver according to requirements, budgets and timescales.</p>	<p>Our global change programme, T4G, is key to delivering our Strategy for Growth.</p> <p>Effective management of the initiatives within this programme is essential.</p>	<p>Executive Director and Country Manager level prioritisation of key initiatives.</p> <p>Standard project management methodology principles defined.</p> <p>Governance structure in place to oversee ongoing change at Group and market levels.</p>	<p>▲</p> <p><b>Lead Responsibility: Chief Commercial Officer</b></p> <p>Our change programme is now in flight and we have successfully delivered key initial technologies.</p> <p>We are actively working with our IT partner to help us deliver a more technology-enabled approach to serving our customers.</p>
<p><b>WORLD ECONOMIC ENVIRONMENT</b></p> <p>We suffer financial loss as a result of a failure to identify and adapt to changing economic conditions adequately.</p> <p><b>Objective</b> We aim to have business processes which allow us to respond to changes in economic conditions and optimise business performance.</p>	<p>Changes in economic conditions have a direct impact on our customers' ability to make repayments.</p>	<p>Treasury and Credit Committees review economic indicators.</p> <p>Daily monitoring of economic, political and national news briefings.</p> <p>Strong, long-term customer relationships inform us of individual customer circumstances.</p>	<p>◀▶</p> <p><b>Lead Responsibility: Chief Financial Officer</b></p> <p>There were good macroeconomic conditions in our markets in 2014 but forecasts moderated during the year. GDP growth forecasts for 2015 are positive.</p> <p>Further detail on expected trends can be found on page 21.</p>

Our 2014 Strategic Report, from page 1 to page 53, has been reviewed and approved by the Board on 25 February 2015.



Gerard Ryan  
Chief Executive Officer

One team



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## Committee membership key

- A Audit and Risk Committee
- D Disclosure Committee
- E Executive Committee
- N Nomination Committee
- R Remuneration Committee
- T Transformation for Growth Committee

**1. Christopher Rodrigues CBE**Chairman, age 65 N T

Christopher joined the Board at the time of demerger in July 2007.

*Experience and qualifications:*

Christopher is an experienced public and private sector chair with extensive financial services experience. He was a non-executive director of Ladbrokes plc, Chief Executive of Thomas Cook and Bradford and Bingley, board member of the FSA, President and Chief Executive of Visa International and Joint Deputy Chairman of Provident Financial plc. He graduated in Economics and Economic History, has an MBA, was appointed CBE in 2007 and was awarded an Honorary Doctorate in April 2013.

*Other appointments:* Christopher is Chairman of VisitBritain, Almeida Theatre Company Limited, The Windsor Leadership Trust, the British Bobsleigh & Skeleton Association Limited and Openwork Holdings Limited. He is on the Council and a Trustee of the National Trust and is an executive committee member of the World Tourism and Travel Council.

**2. Gerard Ryan**Chief Executive Officer, age 50 D E N

Gerard joined the Board on 17 January 2012.

*Experience and qualifications:*

Gerard has over 25 years' experience in the financial services sector and latterly spent four years with Citigroup where he was CEO for Citi's consumer finance businesses in the Western Europe, Middle East and Africa region. He was a director of Citi International plc, Egg plc and Morgan Stanley Smith Barney UK. Earlier in his career Gerard was CFO of Garanti Bank, Turkey and CEO of GE Money Bank, Prague. He is a Fellow of the Institute of Chartered Accountants in Ireland.

**3. Adrian Gardner**Chief Financial Officer, age 52 D E

Adrian joined the Board on 2 January 2014.

*Experience and qualifications:* Adrian is a broad-based and experienced Chief Financial Officer and has been CFO of RSM Tenon Group plc, PA



Consulting Group Limited and ProStrakan Group plc and a Managing Director of Lazard LLC. He graduated in Engineering Science and is a Fellow of the Institute of Chartered Accountants in England and Wales.

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

#### 4. David Broadbent

Chief Commercial Officer, age 46 **D E T**

David joined the Board at the time of demerger in July 2007.

**Experience and qualifications:** David has over 20 years' experience in professional and financial services and has extensive expertise across Europe and Latin America. He previously held the role of Finance Director of the International Division of Provident Financial plc and IPF and earlier in his career David was a Senior Manager with PricewaterhouseCoopers. He graduated in Classics, has an MBA and is a chartered accountant.

#### 5. Dan O'Connor

Independent non-executive director, age 55 **N**

Dan joined the Board on 2 January 2015.

**Experience and qualifications:** Dan has over 25 years' experience in large international and financial services companies. He was Chairman of Allied Irish Banks plc from July 2009 to October 2010. In addition, Dan spent 10 years as CEO of GE Consumer Finance Europe and was Senior Vice President of General Electric. During this time he was a non-executive director of one of Turkey's largest banks, Garanti Bank. Dan is a fellow of the Institute of Chartered Accountants in Ireland and has a Master's Degree in Accounting.

**Other appointments:** Dan is a non-executive director of CRH plc, Glanbia plc and Argentum Property HoldCo Limited.

#### 6. Tony Hales CBE

Senior independent non-executive director, age 66 **A N R**

Tony joined the Board at the time of demerger in July 2007.

**Experience and qualifications:** Tony has strong business expertise having been a chairman and non-executive director in profit and non-profit sectors. He was 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. He graduated in Chemistry.

**Other appointments:** Tony is currently Chairman of Canal & River Trust, and the Greenwich Foundation, 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.

#### 7. Richard Moat

Independent non-executive director, age 60 **A R T**

Richard joined the Board on 1 July 2012.

**Experience and qualifications:** Richard has more than 20 years' international telecoms experience in senior management roles. He was Deputy Chief Executive and CFO of Everything Everywhere Limited, Managing Director of T-Mobile UK Limited and Chief Executive of Orange Romania SA, Orange Denmark A/S and Orange Thailand Limited and Chair of the ACCA Accountants for Business Global Forum. He holds a Diploma in Corporate Finance and Accounting from London Business School, has a Master's (Honours) degree in Law from St. Catharine's College, Cambridge and is a Fellow of the Association of Chartered Certified Accountants.

**Other appointments:** Richard is Chief Executive Officer of Eircom Limited, an advisory board member of Tiixa, Inc Chile and Trustee of the Peter Jones Foundation.

#### 8. Nicholas Page

Independent non-executive director, age 62 **A N R**

Nicholas joined the Board at the time of demerger in July 2007.

**Experience and qualifications:** Nicholas is an experienced chairman and non-executive director, with expertise in financial, insurance and business services. He was 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. He was a non-executive director of MoneyGram International Limited, Collins Stewart Hawkpoint plc, RSM Tenon Group plc and Chairman of C.A.R.E. Europe 1 S.a.r.l. and C.A.R.E. Europe 2 S.a.r.l. He graduated in Philosophy, Politics and Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales.

**Other appointments:** Nicholas is chair of Small World Financial Services and a member of the Enterprise 100, part of the School of Entrepreneurship at London Business School.

#### 9. Cathryn Riley

Independent non-executive director, age 52 **R T**

Cathryn joined the Board on 12 February 2014.

**Experience and qualifications:** Cathryn has over 20 years' experience in insurance and financial services together with a background in consultancy, airline and mining sectors both in UK and international roles. She was Group Chief Operations Officer of Aviva plc, chair of Aviva Healthcare UK Ltd, Aviva Global Services and Hill House Hammond, GM of Transformation at BUPA and a principal consultant in the financial services division at Coopers & Lybrand. She has an MA in Manpower Studies, completed CeDEP's General Management Programme and was a graduate of the Institute of Personnel/HR Management.

**Other appointments:** Cathryn is a non-executive director of The Equitable Life Assurance Society, ACE European Group Ltd and ACE Underwriting Agencies Ltd.

## Chairman's introduction



Christopher Rodrigues  
Chairman

Dear Shareholder,

Good governance is never more important than during a time of change. Not only is it needed to ensure that oversight is properly exercised within our existing core business, it is an essential pre-requisite to underpin the sound decision-making needed to drive forward our new business initiatives and transformational change.

This is particularly true when these activities are taking place against a backdrop of increased competition and regulatory scrutiny. In 2014, competition in markets such as Poland and the Czech Republic increased, regulatory oversight across Europe intensified and at the same time the pace of change within our organisation accelerated. During the year we announced our entry into the Spanish market and the introduction of our digital proposition, hapiloans, in Poland. Our T4G programme gained significant momentum and, in February 2015, we completed the acquisition of MCB Finance, a business in the digital lending sphere, to drive forward the expansion of our footprint both geographically and technologically. At the same time we continued to manage and grow our existing business and deliver to our

"We are driving our business forward using the principles of good governance that are already rooted deeply within our existing business."

customers the excellent service they expect from an international, customer-oriented organisation.

Solid decision-making processes and careful oversight have been a core part of our existing operations for many years. They are at the heart of our new initiatives too. Taking existing experience and embedding it into our new projects from the outset simply reflects and builds on the way we operate.

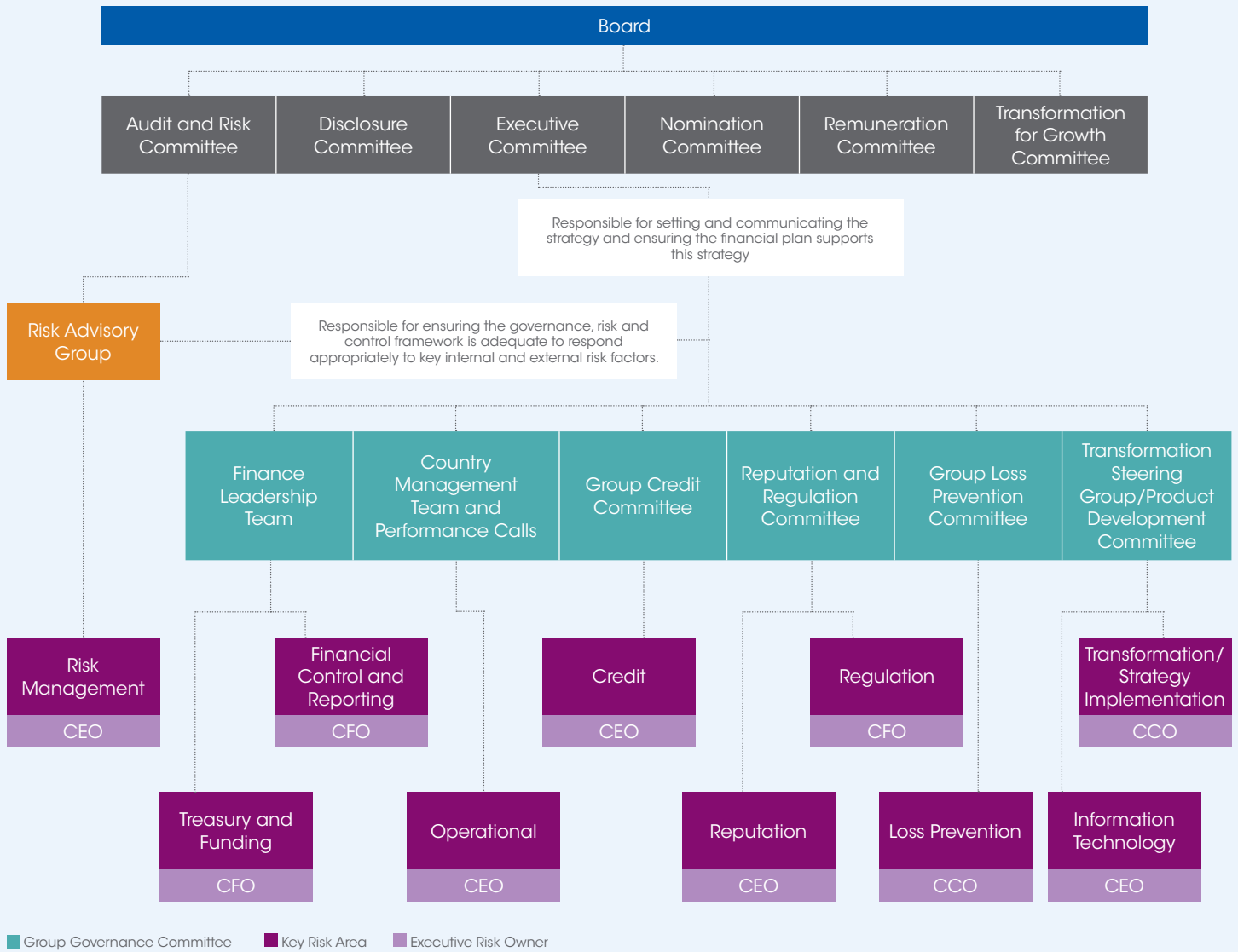
Take our T4G programme as an example. This is without doubt our largest and most complex change initiative to date. It permeates all aspects of the organisation. Recognising the importance and complexity of the programme, the Board set up a new sub-committee in 2014 to provide the appropriate level of support and oversight. Chaired by Cathryn Riley, the Committee reports directly to the Board giving it the level of assurance it requires, and bringing to the T4G programme a wealth of experience to help it deliver benefits in both the short and long term. An insight into the programme can be found on page 30 and I would recommend that you take a look at this.

Our entry into Spain is again indicative of our approach to good governance. Following extensive research, the Board announced in July 2014 its decision to establish an operation in Spain. A multi-national team was mobilised to set up the operation in Madrid. This drew on the best expertise from around the Group. As a result, the team is building a business based from the outset on our established standards of good governance and Group-wide best practice.

I hope that the insights I have given illustrate that, despite a challenging external environment and a significant programme of change and expansion, we are driving our business forward using the principles of good governance that are already rooted deeply within our existing business. These are explained more fully in the report which follows and form a firm foundation for our future.

Christopher Rodrigues  
Chairman

## OUR GOVERNANCE AND OVERSIGHT STRUCTURE



"Effective governance remains our cornerstone, providing oversight to the Group's existing businesses and transformation programme."

Christopher Rodrigues  
*Chairman*

## OVERVIEW

The Board leads and provides strategic direction to the Company. Our strategy and business model can be found on pages 12 to 15 and 18 to 19. There is a formal schedule of matters reserved specifically to the Board for decision. An overview of these can be found on page 60.

Other matters are delegated specifically to six principal Board Committees. The Chairman of each Committee briefs the Board at each meeting on the principal items that were discussed, decisions made and key issues. Their terms of reference are available on our website ([www.ipfin.co.uk](http://www.ipfin.co.uk)) and from the Company Secretary.

### Read about the work of:

the Nomination Committee on pages 62 to 63

the Audit and Risk Committee on pages 64 to 67

the Transformation for Growth Committee on page 68

the Remuneration Committee in the Directors' Remuneration Report on pages 76 to 95

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 2014, 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 seven times in 2014.

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 57.

### Board members

- Christopher Rodrigues – Chairman
- Dan O'Connor – Chairman-elect (from 2 January 2015)
- Gerard Ryan
- Adrian Gardner (from 2 January 2014)
- David Broadbent
- Tony Hales
- Edyta Kurek (until 16 January 2015)
- Richard Moat
- Nicholas Page
- Cathryn Riley (from 12 February 2014)

## ACTIVITIES IN 2014

### Meetings

The Board held eight scheduled meetings in 2014, three ad hoc meetings and one strategy retreat.

### Achievements for 2014

- Strengthening of the Board through the appointment of Adrian Gardner as Chief Financial Officer in January 2014 and Cathryn Riley as independent non-executive director in February 2014.
- Recruitment of Dan O'Connor as Chairman-elect effective from 2 January 2015.
- Approval of Eurobond refinancing.
- Establishment of the Transformation for Growth Committee.
- Approval of entry into Spain with an anticipated launch in the second quarter of 2015.
- Approval of the launch of the Company's digital lending proposition, hapiloans, which issued loans for the first time in December 2014.
- Approval and subsequent acquisition of MCB Finance.

### 2015 objectives

- Focus on growth through:
  - monitoring progress of new product developments including monthly home credit loans and small business loans;
  - reviewing investment cases for new markets and potential acquisition opportunities;
  - continuing focus on development and leadership, including Board succession planning; and
  - monitoring the integration of MCB Finance.
- Build sustainability through:
  - ensuring a continued focus on regulatory risk and the management thereof;
  - monitoring progress of the T4G programme; and
  - keeping abreast of developments in the competitive environment.

Our Board in 2014

### Matters considered by the Board in 2014

January	<ul style="list-style-type: none"> <li>• Functional presentation: Product development.</li> <li>• Adrian Gardner's Board committee membership approved.</li> <li>• Board diversity policy approved.</li> <li>• Standing agenda items.<sup>1</sup></li> </ul>
February	<ul style="list-style-type: none"> <li>• 2013 Group results, Annual Report and Financial Statements and 2014 AGM notice reviewed.</li> <li>• Final dividend recommendation agreed.</li> <li>• Update on Target Operating Model and T4G programme.</li> <li>• Business update: Romania and Bulgaria.</li> <li>• Refinancing of the existing €225M Eurobond programme approved in principle.</li> <li>• Cathryn Riley's Board Committee membership approved.</li> <li>• Approval of the Audit and Risk Committee's recommendation that the 2013 Annual Report and Financial Statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess performance, business model and strategy.</li> <li>• Recommendation to re-appoint Deloitte as the auditor of the Company approved.</li> <li>• Standing agenda items.<sup>1</sup></li> </ul>
March <sup>2</sup>	<ul style="list-style-type: none"> <li>• Euro Medium Term Note Programme update and Eurobond refinancing approved.</li> </ul>
April	<ul style="list-style-type: none"> <li>• Eurobond refinancing and the Company's capital structure discussed.</li> <li>• Reduction in the target equity-to-receivables ratio from 50% to 45% by end of 2014 approved.</li> <li>• £50 million share buyback approved subject to approval of the appropriate resolution at the 2014 AGM.</li> <li>• New market update: Spanish business case reviewed and approved in principle.</li> <li>• T4G update: strategic business case approved in principle; establishment of Board Transformation for Growth Committee agreed.</li> <li>• Business update: Poland and Lithuania.</li> <li>• Q1 2014 Interim Management Statement reviewed and approved.</li> <li>• Advisory reports from proxy voting agencies reviewed.</li> <li>• The issue of Matching Awards under the international all-employee share scheme approved, subject to approval of the Have Your Share Plan at the Company's 2014 AGM.</li> <li>• Standing agenda items.<sup>1</sup></li> </ul>
June	<ul style="list-style-type: none"> <li>• Board strategy retreat.</li> <li>• Mobilisation phase in Spain discussed.</li> <li>• Functional update: Credit.</li> <li>• New market and acquisitions update.</li> <li>• T4G update: product development release budget agreed.</li> <li>• Business update: Hungary.</li> <li>• Standing agenda items.<sup>1</sup></li> </ul>
July	<ul style="list-style-type: none"> <li>• Approval of refinancing of 2010 Eurobond; sign off delegated to Executive Committee.</li> <li>• New market and acquisitions update.</li> <li>• Functional update: Corporate affairs and presentation on the legal and regulatory landscape.</li> <li>• Group results for the first six months and the 2014 half year financial report reviewed.</li> <li>• Declaration of interim dividend approved.</li> <li>• Changes to the SAYE rules approved.</li> <li>• Issue of invitations to employees under the SAYE Scheme approved.</li> <li>• Standing agenda items.<sup>1</sup></li> </ul>
September	<ul style="list-style-type: none"> <li>• New market and acquisitions update.</li> <li>• Investor relations update.</li> <li>• Standing agenda items.<sup>1</sup></li> </ul>
October	<ul style="list-style-type: none"> <li>• Business update: Czech Republic/Slovakia.</li> <li>• Update on People and Organisation Planning.</li> <li>• Q3 2014 Interim Management Statement reviewed and approved.</li> <li>• Standing agenda items.<sup>1</sup></li> </ul>
November <sup>2</sup>	<ul style="list-style-type: none"> <li>• Update regarding possible acquisition of MCB Finance.</li> </ul>
December <sup>2</sup>	<ul style="list-style-type: none"> <li>• Approval of the acquisition of MCB Finance.</li> </ul>
December	<ul style="list-style-type: none"> <li>• Budget and strategy plans agreed.</li> <li>• Appointment of Dan O'Connor as a non-executive director and Chairman-elect approved.</li> <li>• Standing agenda items.<sup>1</sup></li> </ul>

<sup>1</sup> Standing agenda items: Reports from Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Committee Chairmen and Company Secretary; a review of performance against KPIs; review of competition and regulation.

<sup>2</sup> Ad hoc meeting.

## 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 and capital expenditure;
- 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.

### Meetings

A series of scheduled meetings and a strategy retreat are held each year. A detailed agenda and Board pack 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

## 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 AGM and Nomination Committee.

### 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. The Senior Independent Director will review the performance of the Chairman on an annual basis. In carrying out this review the Senior Independent Director will consult with other Board members and consider the relationship between the Chairman and the Chief Executive Officer.

### 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.

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 2014 and up to 25 February 2015.

### 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 2014 included presentations to the Board on subjects such as product development, credit and corporate affairs. The Board also visited the business in Poland in July and received updates from the Polish management team.

In addition to regular executive director visits, individual non-executive directors visited other markets during the year, including Bulgaria, the Czech Republic, Mexico, Poland and Romania. A comprehensive, individually tailored induction plan is prepared for new directors.

#### Performance evaluation

In 2014, the Board carried out an internal evaluation of its performance with directors completing a questionnaire, the results of which were collated in early 2015 by the Company Secretary. Following a review of the results, it was agreed to focus more in 2015 on strategic issues and Board diversity, skills and succession planning.

Under the Code, evaluation should be facilitated externally at least every three years. Evaluation was last facilitated externally in 2013 by Andrew Jackson of Stanton Marris, who has no other connection with the Company. Although the evaluation was not facilitated externally in 2014, the Company remains in compliance with the Code.

#### Election and 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. Consequently, Dan O'Connor will stand for election in 2015. In accordance with best corporate

governance practice all other directors, except Christopher Rodrigues, 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. Adrian Gardner, for example, is a non-executive director of Amdocs Limited.

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 2014 or at any time up to 25 February 2015 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. 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 and the Chief Financial Officer.



Christopher Rodrigues  
*Chairman*

"New members joining the Board in 2014 brought a wealth of experience to support the Group as it moves forward with its growth and transformation programmes."

#### Committee members

Christopher Rodrigues – *Chairman*  
Tony Hales  
Edyta Kurek (until 16 January 2015)  
Dan O'Connor (from 28 January 2015)  
Nicholas Page  
Gerard Ryan

#### Achievements for 2014

- Three new directors were recruited to the Board, broadening its expertise.
- Succession planning for a new Chairman completed.

#### 2015 objectives

- Search for new non-executive directors to be undertaken.
- Board diversity commitments to be achieved once again.

## 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 Officer. Three members form a quorum.

### Boardroom diversity

The Board diversity policy was approved in January 2014.

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 it aims to ensure are women.

The Company 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 2014, two Board members (22%) were women. The Committee therefore met its aim

of having at least two female directors on the Board by the end of 2014. However, as Edyta Kurek left the Board in early 2015, this number has reduced. The Board intends to meet its diversity commitments in 2015.

## ACTIVITIES IN 2014

### Meetings

The Committee met four times during the year.

### Board appointments

In January 2014, having carried out a recruitment process in conjunction with MWM Consulting, the Committee recommended the appointment of Cathryn Riley to the Board as a non-executive director. Cathryn then joined the Board in February, following on from Adrian Gardner taking up his position as Chief Financial Officer in January. These new members joining the Board in 2014 brought a wealth of experience to support the Group as it moves forward with its growth and transformation programmes.

A sub-committee of the Nomination Committee, led by the Senior Independent Director, was also formed in 2014 to oversee the recruitment of a future Chairman. Russell Reynolds were appointed to assist and this resulted in the appointment of Dan O'Connor on 2 January 2015 as non-executive director and Chairman-elect. Christopher Rodrigues did not participate in the selection and appointment process.

MWM Consulting and Russell Reynolds have no other connection with the Company.

### Board composition and succession

The Committee keeps under review the size, structure and composition of the Board. As can be seen from the chart on page 63, 44 per cent of the directors have been in place for six years or more. Whilst this brings a wealth of experience, thoughts inevitably turn to the introduction of new non-executive directors in the future. As a result, the Committee considered Board-level succession



planning throughout the year. Role specifications and profiles were agreed. Potential search consultants were discussed to undertake a preliminary search for suitable non-executive director candidates, including now a replacement for Edyta Kurek.

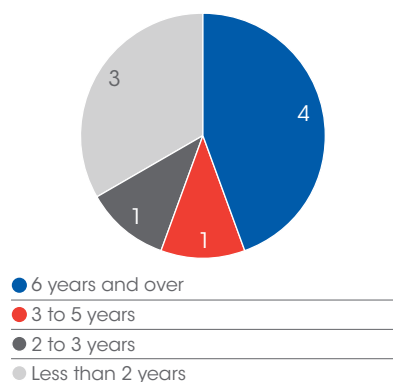
#### Election and re-election of directors

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 2015 AGM.

#### Tenure of directors

The tenure of all current directors is shown below.

Tenure of current directors



#### Further activities

At the beginning of 2014, the Committee also reviewed and approved Board and Committee meeting attendance for 2013 for inclusion in the 2013 Annual Report and Financial Statements. Attendance in 2014 is shown below.

#### Attendance at meetings of the Board and Board Committees

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee	Transformation for Growth <sup>1</sup>
Christopher Rodrigues <sup>2</sup>	11 out of 11		3 out of 4		5 out of 5
David Broadbent	11 out of 11				5 out of 5
Adrian Gardner <sup>3</sup>	11 out of 11				
Tony Hales <sup>4</sup>	10 out of 11	6 out of 6	4 out of 4	3 out of 3	
Edyta Kurek <sup>5</sup>	10 out of 11		3 out of 4		3 out of 5
Richard Moat	11 out of 11	6 out of 6		3 out of 3	5 out of 5
Nicholas Page <sup>6</sup>	9 out of 11	6 out of 6	4 out of 4	3 out of 3	
Cathryn Riley <sup>7</sup>	10 out of 10			2 out of 2	5 out of 5
Gerard Ryan	11 out of 11		4 out of 4		

1 The Transformation for Growth Committee was created on 26 May 2014.

2 Christopher Rodrigues did not attend one Nomination Committee meeting as this related to the search for his successor.

3 Adrian Gardner joined the Board on 2 January 2014.

4 Tony Hales missed one ad hoc Board meeting (March) as he was on holiday and unable to dial in. He had, however, expressed support for the proposals under discussion by email in advance.

5 Edyta Kurek missed one Board meeting (October) due to a conflicting business appointment; one Nomination Committee meeting (February) due to travel complications; and two Transformation for Growth Committee meetings: due to her flight from Poland being cancelled (June); and due to other business commitments (December). Edyta Kurek stepped down from the Board on 16 January 2015 following a change in her role and new responsibilities in her executive capacity at Herbalife.

6 Nicholas Page was unable to dial in to two ad hoc Board meetings (March and November).

7 Cathryn Riley joined the Board on 12 February 2014 and was appointed to the Remuneration Committee on 20 February 2014.

Christopher Rodrigues  
Chairman

➔ See page 76 for more details on the membership and work of the Remuneration Committee



Nicholas Page  
*Chairman*

"Our revised governance and oversight structure was fully implemented in 2014."

#### Committee members

Nicholas Page - *Chairman*  
Tony Hales  
Richard Moat

#### Achievements for 2014

- Implementation and embedding of Operational Governance Framework.
- Introduction of Common Minimum Risk Control Standards across all markets.
- Continued training on areas of business significance.
- Areas reviewed:
  - information security;
  - business continuity;
  - T4G controls and monitoring; and
  - PROXXI implementation.

#### 2015 objectives

- Review effectiveness of new market entry and business acquisition integration processes.
- Monitoring effectiveness of management of the transformation programme.
- Continued development of the assurance processes.
- Review organisational monitoring of the competitive environment.
- Review the risks presented by organisational changes stemming from the T4G programme.
- Review systems for the prevention and detection of fraud.
- Review the approach to current and potential regulatory changes.

## 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, and the Chief Financial Officer together with the Head of Compliance and Risk are invited to attend all meetings. 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;

Effective oversight

- 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 its 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.

## ACTIVITIES IN 2014

### 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 half year 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 audit procedures on impairment provisioning and reported its findings to the Committee. Additionally, at its meeting in October, the Committee received and considered an independent opinion from the Company's actuarial advisor in relation to management's approach to using this modelling technique for new, longer-term products.
- *Revenue recognition:* The judgement in respect of revenue recognition is the methodology used to calculate the effective interest rate. The external auditor performed procedures to assess management's calculations and assumptions used to calculate the effective interest rate 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 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 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, the review of its effectiveness 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 2014 are referred to in the 'Training' section on page 67. The internal controls in relation to the preparation of consolidated Financial Statements are outlined on page 61.

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 senior 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 communicated to the Committee any control deficiencies in the internal control environment observed as part of its audit procedures. During the year, Deloitte did not highlight any material control weaknesses.

#### Internal audit

The opinion on the Company's internal control environment was provided by the Head of Compliance and Risk. PwC continued to be used to support specific thematic reviews where specialist technical knowledge was required.

During 2014 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 as defined in the Group Risk Register, and thematic reviews providing a deeper review of topics agreed between the Head of

Compliance and Risk, the Chairman of the Audit and Risk Committee and management, including the items shown in the 'Internal audit' table below.

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.

Following the comprehensive review last year of our overall operational governance and oversight structure, shown on page 57, the Internal Audit function has continued to monitor its implementation and effectiveness throughout 2014.

Internal audit	
Basic assurance	Thematic reviews
<p><b>Branch level reviews (covering one-third of branches)</b></p> <ul style="list-style-type: none"> <li>• Management of administration, operational, financial and loss prevention control and legal compliance oversight processes.</li> </ul> <p><b>Head office reviews</b></p> <ul style="list-style-type: none"> <li>• Oversight of branch performance monitoring and management.</li> <li>• Management of financial loss detection and prevention controls.</li> <li>• Management of financial control framework.</li> <li>• Management of the branch administration and quality control processes.</li> <li>• The existence and effectiveness of the controls used to monitor and manage each of the Group key risks (see pages 49 to 53).</li> </ul>	<p><b>Group</b></p> <ul style="list-style-type: none"> <li>• Review of the alignment and planning of field performance reward structures.</li> <li>• Review of competition monitoring and response processes.</li> <li>• Review of the maturity of control processes within the new markets (Lithuania and Bulgaria).</li> <li>• Review of the management of credit strategies and their inter-relationship with reward strategies.</li> </ul> <p><b>T4G programme</b></p> <ul style="list-style-type: none"> <li>• Transformation programme governance and assurance processes.</li> <li>• Alignment of the transformation programme initiatives to the target operating model.</li> </ul>

### 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 auditor 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 auditor 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 2014	Fee £000
Taxation compliance services	117
Other assurance services	28
<b>Total</b>	<b>145</b>

### Audit tendering

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 four years. At its February 2015 meeting, the Committee recommended the reappointment of Deloitte to the Board and its reappointment will be put to shareholders at the 2015 AGM.

### Training

The Committee undertook a significant amount of training during 2014. This included presentations on key business areas such as:

- personal safety and the Group approach to obtaining and maintaining ISO compliance;
- financial fraud and the approach to the continued improvement in prevention and detection capabilities (with particular note to how this is being addressed under the transformation programme);
- legal and regulatory risk and the approach to managing the specific issues faced by the Group;
- taxation and the Group approach to ensuring continued compliance with relevant legislation; and
- information security and the approach to addressing the ever increasing cyber-security risk.

This training was complemented by a visit to the Company's business in Poland, which included visits to branches and discussions with the Polish management team.

### Review of effectiveness of the internal controls

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 2014. The process for identifying, evaluating and managing the significant risks faced by the Group was in place throughout 2014 and up to 25 February 2015. 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 amongst its members, executive directors, management and external advisers: and concluded as a result that it continues to be effective.

### Annual Report and Financial Statements

The Committee reviewed and considered the Annual Report and Financial Statements in line with other information the Committee has considered throughout the course of the year. It concluded and recommended to the Board that 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.



Nicholas Page  
Chairman



“Transformation for Growth is a key part of the Company’s strategy and underpins the transformation going on across the whole business.”

Cathryn Riley  
Chairman

#### Committee members

Cathryn Riley – *Chairman*  
David Broadbent  
Edyta Kurek (until 16 January 2015)  
Richard Moat  
Christopher Rodrigues

#### Achievements for 2014

- New global Credit Decision System (CDS) implemented and monthly product launched in Poland.
- ProXXI programme rolled out in four markets; commenced in fifth.
- Programme mobilised across all markets.

#### 2015 objectives

- Market-wide CDS implementation.
- New CRM system implementation in Mexico and Hungary.

## OVERVIEW

#### Role

The Committee’s responsibilities include:

- supporting the T4G programme and executive management to ensure it delivers quality outcomes at speed and within approved budgets;

- briefing the Board on progress and making recommendations in relation to issues that need to be escalated to the Board for consideration/approval;
- providing assurance to the Board that benefits are being delivered, costs are being controlled and T4G is effectively supported by appropriate, reliable plans and governance; and
- authorising commitments within financial limits delegated by the Board.

#### Composition

A quorum is three members, including a majority of independent non-executive directors.

## ACTIVITIES IN 2014

#### Meetings

The Committee met five times during the year.

#### Vision-centred oversight

Having been established in May 2014, the Committee aligned its activities to the T4G programme vision. Through a series of presentations, the Committee reviewed the programme’s phased approach and the complex interdependency of its

interconnected work streams. It established a baseline roadmap to determine what would be delivered when. Progress against this roadmap was reviewed throughout the year and relevant expenditure approved.

#### Programme work streams

The Committee has considered each of the programme work streams to ensure effective oversight of the organisation’s transformation to a genuine multi-channel business. This included work streams to broaden our product range and modernise our service model.

A core element of the Committee’s oversight has been consideration of the risks, costs and benefits associated with the programme. To aid its understanding of each element, the Committee has received presentations from the Group’s IT Director, HR Director and from representatives of the Group’s IT partner, HCL.

#### Organisation Design

The Committee recognises that T4G is not simply about technology. During the year, it has considered the programme’s Organisation Design work stream in detail. This aims to liberate the full potential of our people and facilitate a significant cultural change in order to deliver a more professional, world class sales and service function.

#### Communication and engagement

With any large transformational change programme communication is key. The Committee has worked to ensure that effective communication processes are in place to ensure the programme and its goals are understood and delivered by our teams. It ensured that communication processes improved throughout the year.

Cathryn Riley  
Chairman

➔ To learn more, take a look at ‘T4G in action’ on page 30.

Overseeing change

## 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 2014 and is available on the FRC's website: [www.frc.org.uk](http://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. At the time of 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 2015.

The Board considers that throughout 2014 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 133. On 31 December 2014, there were 239,705,096 ordinary shares of 10 pence each in issue. No shares were issued during the year. 8,686,023 ordinary shares, with a nominal value of £868,602 representing 3.62% of the Company's called up share capital, were bought back and transferred to treasury during 2014, to be used primarily to satisfy share scheme exercises. None were cancelled.

The total consideration paid under the buyback programme, excluding costs, was £45,051,721. The average price paid per share was 518.67 pence. A share buyback was chosen as the most flexible mechanism to return the required level of capital value to shareholders and to reduce the capital ratio to around 45%. In addition, this method was expected to result in an increase in earnings per share. The ordinary shares can be held in certificated or uncertificated form.

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 2014 AGM the Company received shareholder authority to buy back up to 23,970,509 of its own shares until the earlier of the conclusion of the 2015 AGM and 30 July 2015. Any ordinary shares so purchased could be cancelled or held in treasury. This authority was exercised in 2014 to the extent described above. A further authority for the Company to purchase its own shares will be sought at the 2015 AGM.

### Authority to allot shares

As at 31 December 2014, the directors had authority to allot further securities up to an aggregate nominal amount of £7,990,000 and, broadly, up to a further £7,990,000 for a rights issue. Further authorities will be sought at the forthcoming 2015 AGM.

**Interests in voting rights**

As at 31 December 2014, 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 <sup>1</sup>	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

<sup>1</sup> 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 2015, the Company did not receive any further notifications.

**Directors' interests**

Details of directors' interests are given on page 92 of the Directors' Remuneration Report and details of the award of nil-cost and other options can be found on pages 93 to 94. No director has notified the Company of an interest in any other shares, transactions or arrangements which requires disclosure.

**DIVIDENDS**

Details of the 2014 interim dividend declared by the Board and the proposed final dividend for 2014 payable in 2015 can be found on page 134. Our new target dividend payout ratio is discussed on page 47.

**SHARE INCENTIVES****Employee Benefit Trust**

The Company operates two employee trusts 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 2014, the trustees held 751,445 shares in the Company. The trusts waive their dividend entitlement and abstain 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 2014 are set out in the Directors' Remuneration Report on page 88. 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 Have Your Share Plan	Have Your Share Plan	Overseas employees
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



Details of awards made in 2014 are as follows:

Scheme	Date of grant	Number of shares	Exercise price (if any)	Normal exercise/vesting date
CSOP	04 Mar 2014	65,758	526p	04 Mar 2017 – 03 Mar 2024 <sup>1</sup>
Deferred Share Plan	14 Mar 2014	471,001	-	14 Mar 2017 – 13 Mar 2024
Have Your Share Plan	2 June 2014	225,912	-	2 June 2017
Performance Share Plan	04 Mar 2014	1,107,157	-	04 Mar 2017 – 03 Mar 2024 <sup>1</sup>
Performance Share Plan	01 Aug 2014	10,121	-	01 Aug 2017 – 31 Jul 2024 <sup>1</sup>
SAYE Scheme	28 Aug 2014	134,566	439p	01 Nov 2017 – 30 Apr 2020 <sup>2</sup>

Details of outstanding awards are as follows:

Scheme	Awards outstanding at 31 December 2013	Awards lapsed in 2014	Awards exercised/ vested in 2014	Awards outstanding at 31 December 2014	Exercise price (if any)	Normal exercise/vesting date	Awards exercised/ vested from 1 January to 20 February 2015
CSOP	481,829	(25,340)	(189,978)	332,269	208p – 636p	23 Jul 2013 – 3 Mar 2024 <sup>1</sup>	(1,809)
Deferred Share Plan	1,710,952	(22,527)	(538,149)	1,621,277	-	24 Mar 2014 – 13 Mar 2024	-
Have Your Share	-	(8,891)	-	217,021	-	2 June 2017 23 Jul 2013	-
Performance Share Plan	4,964,136	(228,686)	(1,171,802)	4,680,926	-	– 3 Mar 2024 <sup>1</sup> 01 Oct 2012	(37,845)
SAYE Scheme	406,240	(22,929)	(117,449)	400,428	112p – 509p	– 30 Apr 2020 <sup>2</sup>	-

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

2 Exercise dates vary depending on whether the employee has chosen 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 is updated on investor relations.

At the 2014 AGM a significant proportion of shareholders voted against the resolution to approve the Annual Report on Remuneration. Following this, Tony Hales, as Chairman of the Remuneration Committee, wrote to ten major shareholders explaining the background to the policy and offering a follow-up meeting/telephone meeting to discuss their concerns.

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](http://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 Thursday 30 April 2015 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 18 March 2015.

## OTHER EXTERNAL STAKEHOLDERS

### Community investment and donations

The total value of our community investment contribution across the Group was £727,297 in 2014 (2013: £766,722). Our employees also volunteered 16,720 hours in Company time to local communities and a further 13,939 hours in their own time. We mobilised 4,139 of our employees into effective community activities, reflecting our direct impact on the communities in which we operate.

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 2014. The average number of days' credit taken by the Group during the year was 19 days (2013: 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<sup>1</sup> 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<sup>2</sup> 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 and are outstanding as at the date of this report: Euro 34.8 million Notes issued in August 2010 with a five-year term and an 11.5% 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; Czech crown 250 million with a five-year term and a 5.25% coupon; Euro 300.0 million issued in April 2014 with a seven-year term and a 5.75% coupon and Euro 40.0 million issued in May 2014 with a four-year term and a 4.25% coupon.

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 business in Spain will be licenced by the National Bank of Spain. The Group's operation in Lithuania does not require a licence but is registered on the Public Register of Consumer Credit Providers. MCB Finance's businesses have an activities licence from the Financial Intelligence Unit (Estonia), a credit licence from the Consumer Rights Protection Centre (Latvia), is registered on the Public Register of Consumer Credit Providers (Lithuania) and on the Creditor Register of the Regional State Administrative Agency of Southern Finland (Finland), and holds an Australian credit licence issued by the Australian Securities and Investment Commission (Australia).

## 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 account of the significance of ESG matters to the Group regularly 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 sits on 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: business ethics; public perception and ensuring that work with communities is relevant; social and financial exclusion; health and safety; and attracting and retaining skilled and well-motivated people.

Corporate affairs activity, health and safety, people management and business ethics issues were all discussed at Board meetings in 2014. The Board formally reviews a sustainability report at least once a year. The Board has received adequate information to make an assessment against ESG risks.

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

The Group is an equal opportunities 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 progression is based purely on merit.

During 2014 the Group continued to build on the success of our business ethics programme with a focus on communications and training around our Code of Ethics. We made good progress against our target to roll-out our ethics training to all employees by 2015; 95% of employees had successfully completed the training at the completion of the 2014 training process. This training ensures that employees are fully aware of our business ethics programme and Code of Ethics and utilises real-life ethical dilemmas to help them handle issues when they arise. From 2015 we plan to conduct this training on an annual basis to ensure that employee training on business ethics remains up-to-date as the business changes and moves into new markets.

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 assessed independently against OHSAS 18001 and certified as compliant in Poland, the Czech Republic, Slovakia, Hungary and Romania. We will be assessed in the remaining businesses during 2015. 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 focussed on the needs of the communities we serve and we utilise London Benchmarking Group methodology to measure this investment in terms of inputs, outputs and impacts. Our environmental management system is subject to internal audit against the requirements of ISO14001.

When setting incentives, the Remuneration Committee takes account of all implications, including the need to avoid inadvertently motivating inappropriate behaviour.

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. ESG matters are taken into account in the training of directors.

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](http://www.ipfin.co.uk)).

### Carbon reporting

We have reported on all of the carbon emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Our emissions data has been calculated in line with the Greenhouse Gas (GHG) 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, the Czech Republic, Hungary, Slovakia, Mexico, Romania, Bulgaria and Lithuania. These sources fall within our consolidated Financial Statements. Where available data is incomplete we have extrapolated using appropriate estimations.

In 2014 our GHG emissions for scope 1 and 2 decreased by 0.5% overall, which is very positive considering the business is growing. As a growing business we find it more appropriate to measure progress by normalising this data against customer numbers. When normalised against customer numbers our GHG emissions fell by 12.3% compared to 2013, presenting a very positive picture of the progress we are making with resource saving initiatives.

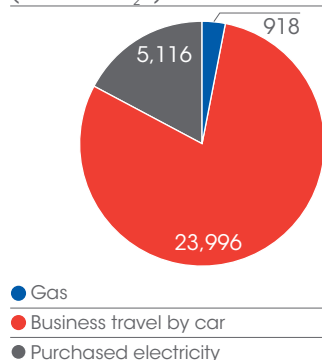
We aim to reduce our environmental impact where possible and our T4G programme is instrumental in helping us to achieve this. The programme focusses on processes, people and technology and one expected

outcome of this is to deliver resource savings for the business. By streamlining our existing processes we are achieving savings against our most significant environmental aspects: business travel by car; electricity; and

paper purchased. A full environmental policy statement can be found in the Sustainability section of the Company's website ([www.ipfin.co.uk](http://www.ipfin.co.uk)).

Carbon emissions sources	Travel & utilities	Tonnes CO <sub>2</sub> e		
		2013	2014	% change
Scope 1	Gas	624	<b>918</b>	47.0%
	Business travel by car	24,267	<b>23,996</b>	(1.1%)
Scope 2	Purchased electricity	5,280	<b>5,116</b>	(3.1%)
		30,171	<b>30,030</b>	(0.5%)
Scope 1 & 2	CO <sub>2</sub> e emissions by customer	0.013	<b>0.012</b>	(12.3%)

Total CO<sub>2</sub> emissions 2014  
(Tonnes CO<sub>2</sub>e)



## UPDATE ON REGULATORY ISSUES

An update on the current regulatory issues can be found on pages 20 and 21.

## 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; Dan O'Connor, Chairman-elect and non-executive director; Tony Hales, senior independent 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*

25 February 2015



"Our reward targets incentivise the delivery of our strategy over the short and long term."

Tony Hales  
Chairman

#### Committee members

Tony Hales – *Chairman*  
Nicholas Page  
Richard Moat  
Cathryn Riley

*Aligned to strategy*

Dear shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2014, which has been prepared by the Remuneration Committee and approved by the Board.

#### Remuneration for 2014

During 2014, our strategic priorities continued to evolve. We intend to create long-term shareholder value through sustainable profit growth. We are expanding our geographic footprint, adding new product channels and broadening our product portfolio to give more choice to our existing customers and to serve a wider range of consumer segments. We are also modernising our home collected business model through our T4G programme to create more sustainable and incremental profitable growth opportunities.

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 our strategy over the short and long term,

balancing the interests of employees and long-term shareholders. The annual bonus for the executive directors is targeted 50/50 between financial measures and personal objectives linked to achievement of the Group's strategy. The maximum possible outcome on the personal objectives is capped at the amount achieved under the financial measures element. Two-thirds of the total bonus amount is deferred for three years in Company shares. These shares are eligible for a matching award subject to performance conditions. Both the matching awards and the LTIP scheme are designed to motivate and reward longer-term performance and incentivise absolute shareholder value-creation through a mix of measures.

At the 2014 AGM, we received strong support from our shareholders for our first Directors' Remuneration Policy under the new reporting regulations, with a 97.1% vote in favour. This followed an assurance published on our website in relation to the use of discretion in retention arrangements, which is intended to be binding throughout the duration of the policy. The Directors' Remuneration Policy included in this report is as approved at the AGM, and is reproduced in full for both ease of reference and in order to provide context for the decisions taken by the Committee during the year, although it has been updated to reflect the latest data and also the assurance mentioned above. The approved policy includes provisions for recovery of performance-related remuneration, as required by the 2014 Corporate Governance Code. We do not intend to move a resolution to approve any changes to the policy at the 2015 AGM.

We were also very pleased about the high level of support for our new Group-wide, all-employee share scheme at the AGM. Our perception is that this has a powerful effect in creating a sense of alignment and ownership across the business and is also a contributor to some of awards received by the Company during the course of the year.

More disappointing was the outcome of the vote on the 2013 Annual Report on Remuneration, with only a 63.4% vote in favour, including votes cast at the proxy's discretion. Feedback from shareholders suggested the dissent reflected two factors: the Chief Executive Officer's 7.9% salary increase for 2014 and his exceptional PSP award of 150% of salary in 2013. In light of this result, I wrote to our top ten shareholders to provide some additional context around the remuneration decisions made by the Committee during 2013, and offered an opportunity to discuss further. We reiterated the commitment to consult with major shareholders ahead of any future awards of an exceptional nature under the LTIP.

Details of the remuneration decisions for 2014 are set out in the Annual Report on Remuneration starting on page 85. In summary, for the year ended 31 December 2014, profit before tax and exceptional items was £123.5 million. In addition, the Group made good progress against its strategic objectives including launching a new digital lending channel and introducing new products. This resulted in a total 74.2% of the Chief Executive's maximum bonus (74.2% of salary), 52.2% of the Chief Financial Officer's maximum bonus (52.2% of salary) and 74.2% of the Chief Commercial Officer's maximum bonus (74.2% of salary) paying out for 2014, with one-third delivered in cash and two-thirds deferred in Company shares (as per the approved policy).

#### Key decisions for 2015

The Committee has increased the base salary of two of the executive directors by 1% with effect from 1 April 2015 which is in line with the anticipated award to UK employees.

In addition, we are delighted that Dan O'Connor joined the Board as non-executive director and Chairman-elect on 2 January 2015. Dan's initial fee is £55,000 p.a., the 'standard' fee payable to non-executive directors, but will be increased to £200,000 p.a., the same as the current Chairman's fee, following Christopher Rodrigues' retirement and Dan's appointment as Chairman at the 2015 AGM. The Chairman's fee was last increased on 1 October 2013 and is not intended to be reviewed before 2016.

There will be no substantial changes in remuneration policy for 2015. All maximum opportunities will remain the same in 2015 as in 2014.

#### 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 2014) and the Listing Rules.

Consistent with last year, the report is in two sections:

- the Directors' Remuneration Policy (pages 78 to 85). This section contains details of the remuneration policy that received shareholder approval at the 2014 AGM, held on 30 April 2014; and
- the Annual Report on Remuneration (pages 85 to 95). This section sets out details of how our remuneration policy was implemented for the year ended 31 December 2014 and how we intend for the policy to apply for the year ended 31 December 2015.

At the AGM in April 2015:

- the Directors' Remuneration Policy will not be put to a binding shareholder vote having received 97.1% approval at the 2014 AGM; and
- the Annual Report on Remuneration will be put to an advisory shareholder vote.

We hope to receive your support at the AGM.



Tony Hales  
Chairman

## DIRECTORS' REMUNERATION POLICY

### Remuneration policy table

The table below sets out the remuneration policy that received shareholder approval and became effective on 30 April 2014.

The report below is as disclosed in the 2013 Directors' Remuneration Report except for a number of minor clarifications as follows:

- references to financial years have been updated as appropriate;
- pay-for-performance scenario charts have been updated to reflect 2015 salaries and a more appropriate long-term incentive vesting level for 'on target' performance;
- the section on Directors' service agreements has been updated with details of current directors' service contracts and engagement letters; and
- the scope for making ad hoc awards has been clarified, as per the assurance published in April 2014 (available on the 'AGM' section of the Company's website).

### Summary of remuneration policy for executive directors

How the element supports our strategic objectives	Operation of the element
<b>Base salary</b>	
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.
<b>Pension</b>	
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.
<b>Benefits</b>	
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.
<b>Annual bonus</b>	
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.



### 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.

Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
<p>Normally salary increases take into account increases awarded across the Group and are normally in line with increases awarded to UK employees.</p> <p>By exception, higher awards may be made at the Committee's discretion to reflect individual circumstances. For example:</p> <ul style="list-style-type: none"> <li>• changes to role which increase scope and/or responsibility;</li> <li>• development and performance in the role; and</li> <li>• responding to competitive market pressures.</li> </ul> <p>There is no prescribed maximum increase.</p>	<p>None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.</p>
<p>Company contribution is 20% of base salary.</p>	<p>None.</p>
<p>The standard benefit package includes:</p> <ul style="list-style-type: none"> <li>• life assurance of 4x salary;</li> <li>• car allowance;</li> <li>• long-term disability cover;</li> <li>• private medical cover for executive director and immediate family; and</li> <li>• annual medical.</li> </ul> <p>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.</p>	<p>None.</p>
<p>Maximum opportunity: 100% of base salary. On target opportunity: 80% of base salary. Threshold opportunity: 20% of base salary.</p>	<p>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 cannot exceed the amount achieved under the financial measures element).</p>

How the element supports our strategic objectives	Operation of the element
<b>Deferred Share Plan ('DSP') Share Matching Scheme</b>	
To strengthen the link to the creation of sustainable long-term value creation provided under the deferred element of the annual bonus.	<p>Deferred bonus share awards are eligible to receive matching shares on a one-for-one basis.</p> <p>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.</p> <p>Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules.</p> <p>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.</p> <p>The DSP has provision for clawback in the event of restatement of the Company's Financial Statements or a material misjudgement of performance.</p>
<b>Long-term Incentive Plans ('LTIP')</b>	
<b>Performance Share Plan ('PSP') and Approved Company Share Option Plan (HMRC approved) ('CSOP')</b>	
To motivate and reward longer-term performance, and support shareholder alignment through incentivising absolute shareholder value-creation.	<p>Annual grant of awards, part of which are under the CSOP, generally made as nil-cost options over a specific number of shares.</p> <p>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.</p> <p>Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules.</p> <p>On vesting, 50% of shares that vest are available for exercise immediately and 50% are available 12 months later.</p> <p>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.</p> <p>The PSP has provisions for clawback in the event of restatement of the Company's Financial Statements or a material misjudgement of performance.</p>
<b>All-Employee Share Plan ('SAYE')</b>	
To provide an opportunity for executive directors to invest voluntarily in the Company.	<p>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.</p> <p>Options may be adjusted to reflect the impact of any variation of share capital.</p>
<b>Shareholding requirement</b>	
To support shareholder alignment by encouraging our directors to align with shareholders.	<p>Executive directors are expected to acquire a beneficial shareholding over time.</p> <p>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).</p> <p>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.</p>
<b>Executive directors serving as non-executive directors</b>	
To encourage self-development and allow for the introduction of external insight and practice.	<p>With the consent of the Board, executive directors may hold one non-executive directorship in an individual capacity and will retain any fees earned.</p>
<b>Provisions of previous policy that will continue to apply - LTIP Awards made in 2011 and 2012</b>	
To motivate and reward longer-term performance, and support shareholder alignment through incentivising absolute shareholder value-creation.	<p>The outstanding awards under the LTIP will continue to form part of the remuneration policy until vesting.</p>

Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
<p>Vesting is dependent on service and performance conditions.</p> <p>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.</p> <p>25% of the award vests at threshold performance.</p>	<p>Matching shares vest on the same basis as for the PSP and CSOP.</p>
<p>In normal circumstances, annual award levels for executive directors are 125% of base salary at the time of grant.</p> <p>The rules of the plan permit annual individual grants of up to 150% of base salary.</p> <p>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 normal levels, as the Committee did prior to increasing award levels for 2013.</p> <p>Vesting is dependent on service and performance conditions.</p> <p>25% of the award vests at threshold performance.</p>	<p>Service and performance conditions must be met over a three-year period.</p> <p>Performance is assessed against three independently measured metrics which are weighted equally:</p> <ul style="list-style-type: none"> <li>1/3 absolute TSR performance;</li> <li>1/3 cumulative EPS growth; and</li> <li>1/3 growth in revenue less impairment.</li> </ul> <p>The targets are set by the Committee. Details of the targets for awards granted in 2014 are set out in the Annual Report on Remuneration.</p> <p>Targets for future years will be set out in the Directors' Annual Remuneration Report of the relevant year.</p> <p>A six-month averaging period is used for calculating TSR.</p>
<p>Participation limits are those set by the UK tax authorities from time to time. Currently this is £500 per month.</p>	None.
<p>The current shareholding requirement for executive directors is 200% of base salary.</p>	
	<p>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.</p>

### 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.	<p>Fees are paid on a per annum basis and are not varied for the number of days worked.</p> <p>The level of the Chairman's fee is reviewed periodically by the Committee (in the absence of the Chairman) and the executive directors.</p> <p>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.</p> <p>As approved at the 2014 AGM, the maximum annual aggregate fee level for all non-executive directors allowed by the Company's Articles of Association is £650,000.</p> <p>The Senior Independent Director and chairman of the Audit and Risk Committee are paid an additional fee to reflect their extra responsibilities.</p> <p>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.</p> <p>Fees are paid on a quarterly basis.</p>
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

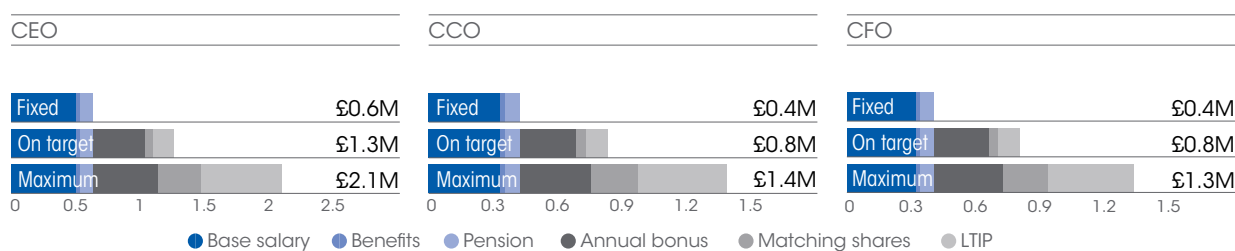
The Committee selects annual bonus performance conditions that are central to the achievement of the Company's key strategic initiatives for the year and reflect both financial and non-financial objectives. To balance this, the performance conditions for the LTIP are linked to long-term value creation: 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, taking into account the Company's strategic priorities and the economic environment in which the Company operates. Targets are normally set with reference to a range of data points, including the budget, broker forecasts, historical performance, and incentive performance ranges at the Company's comparators, where disclosed.

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.

### Total remuneration opportunity

The tables below set out an illustration of the remuneration policy for 2015 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 threshold PSP/DSP matching shares vesting (assumes deferral of two-thirds of target bonus into DSP). The vesting assumption for the PSP and DSP has been changed from last year's assumption from midpoint vesting (62.5% of maximum) to threshold vesting (25% of maximum) in order to align better with market practice.
- Maximum: fixed remuneration plus full payout of all incentives (i.e. 100% of salary in annual bonus, 125% of salary in PSP and 67% of salary in DSP matching shares).

### 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% PSP 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 'buyout' 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. In doing so, the Committee would ensure that any such payments have a fair value no higher than that of the awards forgone, and 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 buyout 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.

In accordance with the policy approved at the 2014 AGM, the Committee also reserves discretion, in exceptional circumstances, to make additional ad hoc incentives in order to respond to the potential loss of executive talent. Such discretion would be used only in genuinely exceptional circumstances, and any such awards would comprise an additional award under the PSP. See the assurance dated 17 April 2014 published on the 'AGM' section of the Company's website in this regard.

Further, the Committee would ensure that the aggregate value of all PSP awards made during any one year, including any additional award made in reliance on this discretion, would not exceed 150% of salary, in line with the disclosed maximum in the policy table.

#### **Directors' service agreements and letters of appointment**

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. In 2014, the Company 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 the 2015 AGM, all directors will be standing for re-election in compliance with the UK Corporate Governance Code. Service agreements are available for inspection at the Company's registered office. Service agreements and letters of appointment 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 service agreements.

Summary details of dates of directors' service agreements and letters of appointment are included below.

Executive director	Date of service agreement
Gerard Ryan	January 2012
Adrian Gardner	January 2014
David Broadbent	July 2007
Non-executive director <sup>1</sup>	Date of current letter of appointment
Christopher Rodrigues	January 2010
Richard Moat	June 2012
Tony Hales	May 2013
Nicholas Page	May 2013
Cathryn Riley	February 2014
Dan O'Connor	January 2015

<sup>1</sup> Edyta Kurek resigned from the Board on 16 January 2015

#### **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 director'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.

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.

## ANNUAL REPORT ON REMUNERATION

#### 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 2013 and 2014.

Director	Salary/fees £'000		Benefits £'000		Bonus <sup>1</sup> £'000		LTIP <sup>2</sup> £'000		Pension £'000		Total £'000	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Executive directors</b>												
Gerard Ryan	491	460	25	25	364	460	-	-	89	92	969	1,037
Adrian Gardner	319	-	23	-	167	-	-	-	56	-	565	-
David Broadbent	326	317	23	23	242	317	530	742 <sup>3</sup>	63	62	1,184	1,461
<b>Non-executive directors</b>												
Christopher Rodrigues	200	178	-	-	-	-	-	-	-	-	200	178
Tony Hales	75	70	-	-	-	-	-	-	-	-	75	70
Nicholas Page	70	65	-	-	-	-	-	-	-	-	70	65
Edyta Kurek	55	50	-	-	-	-	-	-	-	-	55	50
Richard Moat	55	50	-	-	-	-	-	-	-	-	55	50
Cathryn Riley <sup>4</sup>	55	-	-	-	-	-	-	-	-	-	55	-

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 2014 award was determined is provided in the additional disclosures section below.

2 The 2014 LTIP value is based on the PSP award that vested in July 2014. Further information about the level of vesting is provided in the additional disclosures section below.

3 This is a corrected amount compared to the £394,000 stated in the 2013 Annual Report and Financial Statements, which was the market price, less option costs, of the PSP and CSOP awards that vested and became exercisable in 2013. The corrected amount shows the market price of the total number of awards at vesting.

4 Cathryn Riley was appointed to the Board on 12 February 2014. In addition to her base fee, she is paid a fee of £10,000 per annum for chairing the Transformation for Growth Committee.

### Additional disclosures for single figure for total remuneration table

#### Base salary

As reported last year, the Chief Executive Officer's base salary was increased by 7.9% to £500,000 from 1 April 2014. The scale of this increase was determined on the basis of the Chief Executive Officer's development and strong performance in his role since appointment in April 2012. During the salary review exercise, the Remuneration Committee noted that the salary was still below market median for a FTSE 250 Chief Executive Officer. Further information is given in the Shareholder context section on page 94.

The Chief Commercial Officer's base salary was increased by 3% to £328,879, which was in line with the increase to UK employees.

The Chief Financial Officer's base salary was not increased from his starting salary of £319,000.

As reported on page 91, the base salaries of the Chief Executive Officer and Chief Commercial Officer will increase by 1% with effect from 1 April 2015, whilst the Chief Financial Officer's base salary will remain unchanged.

#### 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. None of the executive directors received total taxable benefits exceeding 8% of salary in 2014, and it is not anticipated that the cost of benefits provided will exceed this level materially over the remaining term of the remuneration policy.

#### Determination of 2014 annual bonus

The maximum award for the Chief Executive Officer, Chief Financial Officer and Chief Commercial Officer in 2014 was 100% of salary (80% of salary for on target performance and 20% of salary for threshold performance).

During 2014, 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 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 cannot exceed the amount achieved under the pre-tax profit element).

#### Pre-tax profit objectives

Pre-tax profit targets were set taking into account the Company's operating budget, external forecasts for the sector and analysts' profit forecasts. Targets were designed to be stretching in order to drive desired behaviours and increase motivation and focus. The pre-tax profit targets were: threshold – £114.2 million; on target – £122.9 million; and maximum – £127.5 million.

#### Personal objectives

Each director had individual objectives for 2014, together accounting for a maximum of 50% of the total bonus. These objectives reflected key areas of focus for the business and those relevant to each director's business area to ensure the strategic success of the Company. The table below includes examples of some of these personal objectives.

Director	Examples of personal objectives 2014
Gerard Ryan	Launch of a digital lending business; reduction in funding costs through refinancing of the Eurobond; roll-out of new products, including prepaid cards and insurance; successful management of regulatory challenges.
Adrian Gardner	Support in connection with new market entry and acquisition; support and delivery of T4G releases and monitoring of financial outcomes; customer profitability analysis; ensuring the Company has access to sufficient funding to enable it to execute its strategy.
David Broadbent	Entry into at least one new market; successful completion of at least one acquisition; development of a remote (digital) lending channel; development and management of the Company's change programme.

Over the period, profit before tax and exceptional items was £123.5 million, which gave rise to payment under the profit before tax measure of between target and maximum. The Committee also reviewed the performance of the Chief Executive Officer, Chief Financial Officer and Chief Commercial Officer against their agreed personal objectives for 2014.



After consideration, the Committee awarded bonuses to the executive directors in the amounts shown below for the year ended 31 December 2014:

	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 2018	Total value of 2014 annual bonus £000	Cash and DSP shares award – as a percentage of maximum bonus available
Gerard Ryan	41.2%	33%	121	243	364	74.2%
Adrian Gardner	41.2%	11%	56	111	167	52.2%
David Broadbent	41.2%	33%	81	161	242	74.2%

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 executive director not being dismissed for misconduct. There are also provisions for clawback, with respect to both the cash and deferred elements of the bonus, to be applied for up to three years following release 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 2014 amounted to £89,080, of which £23,175 was paid into personal pension arrangements and £65,905 was paid as a cash allowance.

The Company's contributions in respect of Adrian Gardner during 2014 amounted to £56,063, all of which was paid as a cash allowance.

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 2014 amounted to £62,533, of which £42,500 was paid into pension arrangements and £20,033 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 2014	14,807
Accrued pension at 31 December 2013	14,418
Increase in accrued pension during the year (net of inflation)	–
Director's contributions in 2014	–

### Cash balance

	£
Accrued cash balance lump sum at 31 December 2014	105,561
Accrued cash balance lump sum at 31 December 2013	102,786
Increase in cash balance lump sum during the year (net of inflation)	–
Director's contributions in 2014	–

David Broadbent was age 46 at the end of the year. He became a deferred member of the pension scheme on 1 August 2008.

### Notes:

- The cash balance entitlement has been calculated in line with our current understanding of David Broadbent's accrued benefits.
- 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 2013, which was 2.7%.
- 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.
- As David Broadbent did not accrue any benefits within the Scheme during the year to 31 December 2014, the value of his Scheme benefits under the disclosure requirements for large and medium-sized quoted companies is zero.

### Share options

#### Awards vesting during 2014

The LTIP amount included in the 2014 single total figure of remuneration relates to the PSP nil-cost option award granted in 2011. Vesting was dependent on absolute TSR performance over three years from the date of grant ending on 28 July 2014. The performance achieved against the performance targets is shown below.

Performance condition	Threshold	Maximum	Achieved
Absolute TSR growth	30% TSR over 3 years	60% TSR over 3 years	75% TSR
	33% vests	100% vests	100% vested

Based upon absolute TSR of 75%, 100% of the award vested when tested on 29 July 2014. 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.

As disclosed in the Directors' Remuneration Policy, executive directors are expected to acquire a beneficial shareholding over time equivalent to a minimum of 200% of salary. 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 requirement is met. Executive directors' current holdings against the guideline are disclosed on page 92.

#### Awards granted during 2014

Awards were made in the financial year ending 31 December 2014 under the LTIP (PSP/CSOP), DSP and the SAYE Scheme. Detail of these awards is provided below.

#### LTIP

In line with policy, executive directors were granted LTIP awards, structured as PSP and CSOP options, in March 2014. The resulting number of LTIP shares and associated performance conditions are set out below:

	Number of PSP nil-cost options <sup>1</sup>	Number of CSOP options <sup>2</sup>	Face value <sup>3</sup> £	Percentage of base salary	End of performance period	Threshold vesting	Weighting (of award)	Performance conditions <sup>4</sup>
Gerard Ryan	110,252	-	579,374	125%	31 December 2016	25%	1/3	Absolute TSR
						25%	1/3	Cumulative EPS growth
						25%	1/3	Growth in revenue less impairment
						25%	1/3	Absolute TSR
Adrian Gardner	74,111	5,708	398,747	125%	31 December 2016	25%	1/3	Cumulative EPS growth
						25%	1/3	Growth in revenue less impairment
						25%	1/3	Absolute TSR
						25%	1/3	Cumulative EPS growth
David Broadbent	75,067	2,854	399,124	125%	31 December 2016	25%	1/3	Growth in revenue less impairment
						25%	1/3	Absolute TSR
						25%	1/3	Cumulative EPS growth
						25%	1/3	Absolute TSR

1 The awards are nil-cost options to acquire shares for £nil consideration.

2 The awards are options to acquire shares for their market value at the date of grant, being 526p per share.

3 Valued using the share price at the date of grant (4 March 2014) being 526p per share. For information, for the CSOP options, the fair value was calculated to be £9,294 for £30,000 of options and £4,647 for £15,000 of options (being 31.0% of the grant date face value) at the date of grant using the Black Scholes model.

### Performance conditions

For awards granted during 2014, the awards 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.

### DSP

In 2014, two-thirds of the annual bonus earned in respect of 2013 (i.e. 67% of salary) was deferred in shares and attracted performance-based matching shares on a one-for-one basis. There are no further performance conditions attached to the vesting of the deferred shares. The matching awards will vest only to the extent that the performance conditions are satisfied, being the same three measures as set out in the LTIP section above. The following table sets out details of awards of nil-cost options made during the year under the DSP:

	Date of award	Amount vesting			End of performance period
		Face value £	Threshold performance (% of face value)	Maximum performance (% of face value)	
Gerard Ryan	14 March 2014	Deferred: 306,750	25%	100%	31 December 2016
		Matching: 306,750			
David Broadbent	14 March 2014	Deferred: 211,317	25%	100%	31 December 2016
		Matching: 211,317			

The face value was calculated using the share price the day before the day of grant of 528p.

### SAYE

As noted in the remuneration policy, UK-based executive directors are entitled to participate in the Company's approved all-employee plan. During the course of the year, both Adrian Gardner and David Broadbent were granted options.

### Loss of office payments (audited information)

No payments for loss of office were made to any directors during 2014.

### Payments to past directors (audited information)

No payments to any past directors were made during 2014.

### Recruitment of new executive director

Adrian Gardner joined the Board as Chief Financial Officer on 2 January 2014. He joined on a salary of £319,000 p.a., a maximum bonus opportunity of 100% of salary, eligibility for a PSP award of 125% of base salary and a defined contribution pension of 20% of salary (which he elected to receive as a cash allowance). The remuneration is fully in line with the stated remuneration policy.

### Recruitment of new non-executive director

Cathryn Riley joined the Board as a non-executive director on 12 February 2014. She joined on a fee of £55,000 p.a.. In addition, the Committee approved payment of an additional fee of £10,000 p.a. in recognition of her chairmanship of the Transformation for Growth Committee with effect from 1 May 2014. The fee will continue to be paid until such time as Cathryn's chairmanship of the committee ends and/or the committee is disbanded.

### Percentage change in Chief Executive Officer's remuneration

The table below shows how the percentage change in the Chief Executive Officer's salary, benefits and bonus between 2013 and 2014 compared with the percentage change in the average of each of those components of pay for a group of employees.

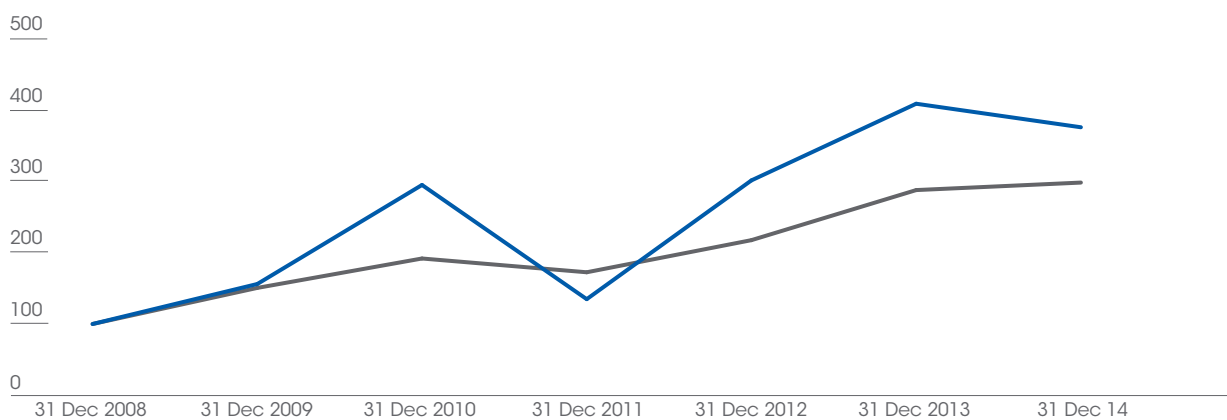
The Committee has selected the UK senior management population plus the country boards (around 98 people) for this comparison, due to the structure of the remuneration package.

	To 31 December 2014 £'000	Chief Executive	All employees
		Percentage change (2014 vs 2013)	Percentage change (2014 vs 2013)
Salary	491	6.7%	3.8%
Benefits	25	0.04%	0.3%
Bonus	364	(20.9%)	(19.1%)

### Performance graph and table

The graph below compares the TSR of the Company with the companies comprising the FTSE 250 Index for the six-year period ended 31 December 2014. 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.

Total Shareholder Return vs FTSE 250



- International Personal Finance
- FTSE 250

The table below shows the corresponding Chief Executive Officer 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)
2014	Gerard Ryan	969	74.2%	-
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 Chief Executive Officer 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	2014	2013	Percentage change
Overall expenditure on pay	<b>167.5</b>	164.7	1.7% <sup>1</sup>
Dividend paid in the year	<b>27.9</b>	21.9	27.4%
Share buyback	<b>45.4</b>	60.0	(24.3%)

<sup>1</sup> The percentage increase at constant exchange rates is 6.5%.

## STATEMENT OF IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

Effective from 1 April 2015, the base salary for the Chief Executive Officer will be £505,000 and the Chief Commercial Officer £332,168. The increases of 1% applied to the base salaries are in line with the anticipated award to UK employees. The base salary for the Chief Financial Officer will remain unchanged at £319,000, reflecting the fact that he is still relatively new and developing in his role.

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 2014. Targets are not disclosed on a forward-looking basis 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.

It is expected that the LTIP awards granted to the Chief Executive Officer and the Chief Commercial Officer during 2012 will vest in 2015. There was no change in the normal and maximum PSP opportunity for executive directors and awards of up to 125% of base salary are expected to be made in 2015. DSP matching awards in respect of the deferred element of the annual bonus are also expected to be made.

As in 2014, 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 impairment.

Targets have been reviewed and will remain the same for awards made in 2015:

	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.

Dan O'Connor joined the Board as a non-executive director and Chairman-elect on 2 January 2015. Dan's initial fee level is £55,000 p.a., in line with the 'standard' fee payable to non-executive directors. His fee will increase to £200,000 p.a., the current Chairman's fee, following Christopher Rodrigues's retirement and Dan's appointment as Chairman at the 2015 AGM.

### 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. Adrian Gardner was a non-executive director of Amdocs Limited during the 2014 financial year and was permitted to retain the fee received from this position.

**Directors' shareholdings and share interests (audited information)**

The interests of each person who was a director of the Company as at 31 December 2014 (together with interests held by his or her connected persons) were:

	Shares held		Options held				Shareholding required (% salary)	Current shareholding (% salary/fee) <sup>1</sup>	Requirement met
	Owned outright	Unvested and subject to performance conditions <sup>1</sup>	Unvested and subject to deferral only	Unvested and subject to continued employment	Vested but not yet exercisable and subject to continued employment	Vested and exercisable, but not yet exercised			
<b>Executive Directors</b>									
Gerard Ryan	300,000	614,929	112,771	7,777	-	-	200	275	Yes
Adrian Gardner	15,000	79,819	-	6,902	-	-	200	21	Yes <sup>2</sup>
David Broadbent	145,758	381,087	134,954	6,902	48,317	-	200	267	Yes
<b>Non-Executive Directors</b>									
Christopher Rodrigues	218,562	-	-	-	-	-	100	491	Yes
Tony Hales	50,000	-	-	-	-	-	100	300	Yes
Edyta Kurek <sup>3</sup>	3,879	-	-	-	-	-	100	32	No
Richard Moat	15,000	-	-	-	-	-	100	123	Yes
Nicholas Page	50,674	-	-	-	-	-	100	325	Yes
Cathryn Riley	14,795	-	-	-	-	-	100	121	Yes

1 Based on a share price of 449.6 pence being the closing price on 31 December 2014.

2 Executive directors are expected to acquire a beneficial shareholding over time with 50% of all share awards vesting to be retained until the requirement is met.

3 Edyta Kurek resigned from the Board on 16 January 2015

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

Director	Euro Notes as at 31 December 2014	Euro Notes as at 31 December 2013
Nicholas Page	-	€400,000

There were no changes to these interests between 31 December 2014 and 25 February 2015.

### Executive directors' interests in the company share options

	Date of award	Awards held at 31 December 2013	Awarded in 2014	Exercised in 2014	Awards held at 31 December 2014	Performance condition period	Starting TSR (p)	Exercise price (p)	Exercise period
Gerard Ryan									
PSP	2 Mar 2012	270,445	-	-	<b>270,445</b>	2 Mar 2012 - 1 Mar 2015	193	-	2 Mar 2015 - 1 Mar 2022
	1 Aug 2013	109,316	-	-	<b>109,316</b>	1 Aug 2013 - 31 Jul 2016	487	-	1 Aug 2016 - 31 Jul 2023
	4 Mar 2014		110,252	-	<b>110,252</b>	4 Mar 2014 - 31 Dec 2016	564	-	4 Mar 2017 - 3 Mar 2024
CSOP	2 Mar 2012	12,145	-	-	<b>12,145</b>	2 Mar 2012 - 1 Mar 2015	193	247	2 Mar 2015 - 1 Mar 2022
DSP	8 Apr 2013	109,350	-	-	<b>109,350</b>	-	-	-	8 Apr 2016 - 7 Apr 2023
	14 Mar 2014	-	116,192	-	<b>116,192</b>	-	-	-	14 Mar 2017 - 13 Mar 2024
SAYE	29 Mar 2012	7,777	-	-	<b>7,777</b>	-	-	198	1 Jun 2019 - 30 Nov 2019
<b>Total</b>		<b>509,033</b>	<b>226,444</b>	<b>-</b>	<b>735,477</b>				
Adrian Gardner									
PSP	4 Mar 2014	-	74,111	-	<b>74,111</b>	4 Mar 2014 - 31 Dec 2016	564	-	4 Mar 2017 - 3 Mar 2024
CSOP	4 Mar 2014	-	5,708	-	<b>5,708</b>	4 Mar 2014 - 31 Dec 2016	564	525	4 Mar 2017 - 3 Mar 2024
SAYE	28 Mar 2014	-	6,902	-	<b>6,902</b>	-	-	439	1 Nov 2019 - 31 Mar 2020
<b>Total</b>		<b>-</b>	<b>86,721</b>	<b>-</b>	<b>86,721</b>				

	Date of award	Awards held at 31 December 2013	Awarded in 2014	Exercised in 2014	Awards held at 31 December 2014	Performance condition period	Starting TSR (p)	Exercise price (p)	Exercise period
David Broadbent									
PSP	23 Jul 2010	58,368	-	58,368	0	23 Jul 2010 - 22 Jul 2013	221	-	23 Jul 2013 - 22 Jul 2020
	29 Jul 2011	96,633	-	48,316	48,317	29 Jul 2011 - 28 Jul 2014	357	-	29 Jul 2014 - 28 Jul 2021
	8 Aug 2012	105,457	-	-	105,457	8 Aug 2012 - 7 Aug 2015	244	-	8 Aug 2015 - 7 Aug 2022
	1 Aug 2013	62,755	-	-	62,755	1 Aug 2013 - 31 Jul 2016	487	-	1 Aug 2016 - 31 Jul 2023
	4 Mar 2014	-	75,067	-	75,067	4 Mar 2014 - 31 Dec 2016	564	-	4 Mar 2017 - 3 Mar 2024
CSOP	23 Jul 2010	7,208	-	7,208	0	23 Jul 2010 - 22 Jul 2013	221	208	23 Jul 2013 - 22 Jul 2020
	4 Mar 2014	-	2,854	-	2,854	4 Mar 2014 - 31 Dec 2016	564	525	4 Mar 2017 - 3 Mar 2024
DSP	24 Mar 2011	42,504	-	42,504	0	-	-	-	24 Mar 2014 - 23 Mar 2021
	27 Mar 2012	111,312	-	-	111,312	-	-	-	27 Mar 2015 - 26 Mar 2022
	8 Apr 2013	78,552	-	-	78,552	-	-	-	8 Apr 2016 - 7 Apr 2023
	14 Mar 2014	-	80,044	-	80,044	-	-	-	14 Mar 2017 - 13 Mar 2024
SAYE	28 Mar 2014	-	6,902	-	6,902	-	-	439	1 Nov 2019 - 31 Mar 2020
<b>Total</b>		<b>562,789</b>	<b>164,867</b>	<b>156,396</b>	<b>571,260</b>				

The mid-market closing price of the Company's shares on 31 December 2014 was 449.6 pence and the range during 2014 was 427.5 pence to 631.5 pence. The aggregate gains of directors arising from the exercise of options granted under the PSP, CSOP and DSP in the year totalled £808,472.

### Shareholder context

At the 2014 AGM, The 2013 Annual Report on Remuneration received a 63.4% vote in favour, including votes cast at the proxy's discretion. Feedback from shareholders suggested the dissent reflected two factors: the Chief Executive Officer's 7.9% salary increase for 2014 and his exceptional PSP award of 150% of salary in 2013. In light of this result, the Company wrote to its top ten shareholders following the AGM to provide some additional context around the remuneration decisions made by the Committee during 2013, and offered an opportunity to discuss further. The Company reiterated its commitment to consulting with major shareholders ahead of any future awards of an exceptional nature under the LTIP.

The Company received strong support from its shareholders at the 2014 AGM for its first Directors' Remuneration Policy under the new reporting regulations, with a 97.1% vote in favour. The table below summarises voting outcomes at the 2014 AGM (% of total votes cast).

	For	Against	Withheld
Directors' Remuneration Policy	97.1%	2.9%	0.2%
Annual Report on Remuneration	63.4%	36.6%	3.2%



### 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 discussed and are considered to be independent:

- Tony Hales (Chairman)
- Richard Moat
- Nicholas Page
- Cathryn Riley (from 20 February 2014)

The Committee received assistance from Helen Thornton (Group Director of Human Resources), Tim Pearson (former 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 2014;
- established the executive directors' bonus arrangements for 2015;
- set bonus targets for the executive directors for 2015;
- reviewed remuneration benchmarking and set base salaries for executive directors;
- approved share awards for 2014;
- approved the director fee for Cathryn Riley and for the incoming Chairman-elect, Dan O'Connor;
- engaged with shareholders following the significant vote against the 2013 annual Remuneration Report at the 2014 AGM; and
- considered remuneration market trends and corporate governance developments.

### Advisor to the Committee

Kepler Associates ('Kepler') was appointed by the Committee as its independent remuneration advisor in 2007, and its 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 2014 (based on time and materials) totalled £21,670 (excl. VAT). Kepler also provided advice to management in connection with TSR performance updates and CSOP valuations. The fees paid in this respect during 2014 were £2,900 (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](http://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 its independence.

Approved by the Board on 25 February 2015.



Ben Murphy  
Company Secretary

25 February 2015

### Opinion on 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 2014 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 31. 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 within the Financial Review on page 48 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 any 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.

### Our assessment of risks of material misstatement

The assessed risks of material misstatement described below 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 against customer receivables is judgemental, requiring an estimate to be made of the likely loss within the lending portfolios.

We have identified the key risk as being the estimation of future customer default rates for customers in arrears, and hence expected future cash flows for each portfolio. In particular, there is a risk that the management information used to make this judgement is either incomplete or inaccurate, that the debt receivables are incorrectly categorised in terms of their arrears status, or that the cash forecasting curves used do not appropriately predict actual future cash flows.

We tested the operating effectiveness of controls over the provisioning process, including using IT specialists within the audit team to test the key IT controls over the systems in which the source customer receivable data is maintained. We also tested the extraction of source data from the core lending systems to identify whether the data was accurate and complete.

We also evaluated the appropriateness of management's key assumptions used in the impairment calculations for customer receivables, including the estimation of customer default rates and expected future cash flows for each portfolio. This involved assessing management's tests of historical forecasting accuracy, and re-performing a sample of these tests using independent extracts of customer receivable collections data. We also challenged the appropriateness of historical data used to predict future collections performance by reference to internal and external factors affecting the business.

In addition, we recalculated a sample of portfolio carrying values in accordance with the approved impairment provisioning policy, tested the accuracy of the arrears status of loan receivables, and assessed the implications of the above work on the accuracy and predictive nature of the cash forecasting curves.

Risk	How the scope of our audit responded to the risk
<p><b>Revenue recognition and calculation of the effective interest rate</b></p> <p>The recognition of revenue on loans using an effective interest rate method requires significant judgement by management to determine key assumptions, in particular the expected life of each loan and related cash flows.</p> <p>These cash flows include interest charges, home collection charges, and early settlement rebates. We have identified the key risks to be the appropriateness of management judgements used in the effective interest rate calculation, in particular the average lives used, and the accuracy and completeness of source data used in the calculation.</p>	<p>We tested the operating effectiveness of controls in relation to revenue recognition, and the mechanical accuracy of the models used to calculate the effective interest rates. This involved the recalculation of a sample of product and cohort effective interest rates based upon an extract of source data from the core lending system. We also tested the completeness and accuracy of cash flow information included within the models.</p> <p>In addition we assessed the appropriateness of management's key assumptions used to calculate the effective interest rate by reference to the impact of recently observable early redemption behaviour on the expected lives of loan receivables. This focused on challenging average lives used in the calculation through comparing these against historical customer behaviour, and by performing analytical procedures to assess the sensitivity of changing the average lives.</p>
<p><b>Deferred tax accounting</b></p> <p>The recognition and measurement of deferred tax assets is judgemental as it is partly reliant upon the underlying profit forecasts of the Group.</p>	<p>Utilising tax specialists within the audit team we tested the recognition and measurement of the deferred tax asset. This involved confirming the nature of the timing differences giving rise to the assets and that the profit forecasts used to justify the recognition of the assets were consistent with the Board-approved underlying profit forecasts of the Group, and challenging the basis of these forecasts.</p>
<p><b>Provisions for uncertain tax positions and regulatory matters</b></p> <p>As a result of enhanced supervisory powers for the local regulators and taxation authorities, and an increased focus upon product design and matters relating to the fair treatment of customers, there is an increased risk in relation to the completeness of provisions against taxation or regulatory exposures in the various jurisdictions in which the Group operates.</p> <p>In particular, significant judgement is required in relation to the level of provisions required against taxation exposures, and whether any provisions are required for customer remediation.</p>	<p>We considered the completeness of any taxation or regulatory provisions required by reference to internal and publically available external information, and challenged the appropriateness of management's key assumptions.</p> <p>This work included considering recent regulatory and tax authority announcements, reviewing the Group's complaints logs, reviewing correspondence with local regulators and tax authorities to identify any potential areas where provisions could arise, and reviewing any ongoing court cases. In addition, we reviewed the key regulatory and taxation risks identified by management, met with the Group legal department and relevant management across the Group to evaluate any identified exposures, and reviewed relevant Board minutes to assess the completeness of relevant provisions in place.</p> <p>This work involved the utilisation of taxation and regulatory expertise within the audit teams in the various countries in which the Group operates.</p>
<p>Last year our report included a risk which is not included in our report this year: hedge accounting, which we do not deem significant in the current year on the basis of the materiality and complexity of the arrangements entered into.</p> <p>The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 49.</p>	<p>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.</p>

### 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 £6.3 million (2013: £5.0 million), which is 5% (2013: 5%) of normalised pre-tax profit, and 1.7% (2013: 1.5%) of equity. Pre-tax profit has been normalised by adjusting for the £23.3 million exceptional loss relating to the refinancing of the Eurobond and bank facilities.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.1 million (2013: £0.1 million), 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.

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at six locations, all of 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 99.2% of the Group's net assets, 99.7% of the Group's revenue, 100.0% of the profit before tax generated by the Group's individual components and 88.0% of the losses before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the six locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.4 million to £2.9 million (2013: £0.5 million to £3.5 million).

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 locations where the Group audit scope was focused at least once every three years and the most significant of them at least once every two years. In years when we do not visit a significant component we will include the component audit partner and team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

### 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 ten 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 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 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

25 February 2015

Group	Notes	2014 £M	2013 £M
Revenue	1	<b>783.2</b>	746.8
Impairment	1	<b>(220.0)</b>	(198.6)
<b>Revenue less impairment</b>		<b>563.2</b>	548.2
Finance costs	2	<b>(45.3)</b>	(49.0)
Other operating costs		<b>(120.0)</b>	(112.5)
Administrative expenses		<b>(274.4)</b>	(268.6)
<b>Total costs</b>		<b>(439.7)</b>	(430.1)
<b>Profit before taxation and exceptional items</b>	1	<b>123.5</b>	118.1
Exceptional items	10	<b>(23.3)</b>	12.4
<b>Profit before taxation</b>	1	<b>100.2</b>	130.5
Tax income – UK		<b>2.5</b>	1.2
Tax expense – overseas		<b>(30.9)</b>	(36.1)
<b>Total tax expense</b>	5	<b>(28.4)</b>	(34.9)
<b>Profit after taxation attributable to owners of the Company</b>		<b>71.8</b>	95.6

The profit for the period is from continuing operations.

Group	Notes	2014 pence	2013 pence
<b>Earnings per share – statutory</b>			
Basic	6	<b>30.2</b>	39.2
Diluted	6	<b>29.4</b>	38.1

Group	Notes	2014 pence	2013 pence
<b>Earnings per share – adjusted for exceptional items</b>			
Basic	6	<b>38.0</b>	35.5

**STATEMENTS OF COMPREHENSIVE INCOME**  
for the year ended 31 December

	Notes	Group		Company	
		2014 £M	2013 £M	2014 £M	2013 £M
<b>Profit after taxation attributable to owners of the Company</b>		<b>71.8</b>	95.6	<b>281.9</b>	34.5
<b>Other comprehensive (expense)/income</b>					
<i>Items that may subsequently be reclassified to income statement</i>					
Exchange losses on foreign currency translations		<b>(42.3)</b>	(3.9)	-	-
Net fair value gains/(losses) – cash flow hedges		<b>1.1</b>	(0.5)	<b>0.5</b>	(0.5)
Tax (charge)/credit on items that may be reclassified	5	<b>(0.2)</b>	0.3	<b>(0.1)</b>	0.1
<i>Items that will not subsequently be reclassified to income statement</i>					
Actuarial (losses)/gains on retirement benefit obligation		<b>(1.5)</b>	1.9	<b>(0.3)</b>	0.5
Tax credit/(charge) on items that will not be reclassified	5	<b>0.3</b>	(0.4)	<b>0.1</b>	(0.1)
<b>Other comprehensive (expense)/income net of taxation</b>		<b>(42.6)</b>	(2.6)	<b>0.2</b>	-
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>29.2</b>	93.0	<b>282.1</b>	34.5

The accounting policies and notes 1 to 31 are an integral part of these Financial Statements.

	Notes	Group		Company	
		2014 £M	2013 £M	2014 £M	2013 £M
<b>Assets</b>					
<i>Non-current assets</i>					
Intangible assets	11	10.1	1.8	-	-
Investment in subsidiaries	12	-	-	672.1	669.1
Property, plant and equipment	13	28.2	28.8	0.2	0.3
Deferred tax assets	14	73.7	65.2	1.6	1.8
		112.0	95.8	673.9	671.2
<i>Current assets</i>					
Amounts receivable from customers:					
- due within one year		723.9	739.1	-	-
- due in more than one year		36.6	45.7	-	-
	15	760.5	784.8	-	-
Derivative financial instruments	21	5.8	6.5	0.9	-
Cash and cash equivalents	16	68.8	24.6	34.4	-
Other receivables	17	14.1	14.4	480.4	376.4
Current tax assets		1.6	1.3	6.4	8.7
		850.8	831.6	522.1	385.1
<b>Total assets</b>		<b>962.8</b>	<b>927.4</b>	<b>1,196.0</b>	<b>1,056.3</b>
<b>Liabilities</b>					
<i>Current liabilities</i>					
Borrowings	19	(73.7)	(14.4)	(34.8)	(6.2)
Derivative financial instruments	21	(2.7)	(3.7)	-	(0.4)
Trade and other payables	18	(95.3)	(102.8)	(91.2)	(265.9)
Current tax liabilities		(22.9)	(25.6)	-	-
		(194.6)	(146.5)	(126.0)	(272.5)
<i>Non-current liabilities</i>					
Retirement benefit obligation	24	(2.0)	(0.9)	(0.4)	(0.2)
Borrowings	19	(404.6)	(386.1)	(391.4)	(326.1)
		(406.6)	(387.0)	(391.8)	(326.3)
<b>Total liabilities</b>		<b>(601.2)</b>	<b>(533.5)</b>	<b>(517.8)</b>	<b>(598.8)</b>
<b>Net assets</b>		<b>361.6</b>	<b>393.9</b>	<b>678.2</b>	<b>457.5</b>
<b>Equity attributable to owners of the Company</b>					
Called-up share capital	26	24.0	24.0	24.0	24.0
Other reserve		(22.5)	(22.5)	226.3	226.3
Foreign exchange reserve		(32.5)	9.8	-	-
Hedging reserve		0.4	(0.5)	-	(0.4)
Own shares		(43.1)	(3.0)	(43.1)	(3.0)
Capital redemption reserve		1.7	1.7	1.7	1.7
Retained earnings		433.6	384.4	469.3	208.9
<b>Total equity</b>		<b>361.6</b>	<b>393.9</b>	<b>678.2</b>	<b>457.5</b>

The accounting policies and notes 1 to 31 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 31 were approved by the Board on 25 February 2015 and were signed on its behalf by:



Gerard Ryan  
Chief Executive 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	Own shares £M	Capital redemption reserve £M	Retained earnings £M	Total equity £M
At 1 January 2013	24.9	(22.5)	13.7	(0.3)	(4.5)	0.8	363.7	375.8
<i>Comprehensive income</i>								
Profit after taxation for the year	-	-	-	-	-	-	95.6	95.6
<i>Other comprehensive (expense)/income</i>								
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
<i>Transactions with owners</i>								
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
<b>At 1 January 2014</b>	<b>24.0</b>	<b>(22.5)</b>	<b>9.8</b>	<b>(0.5)</b>	<b>(3.0)</b>	<b>1.7</b>	<b>384.4</b>	<b>393.9</b>
<i>Comprehensive income</i>								
Profit after taxation for the year	-	-	-	-	-	-	71.8	71.8
<i>Other comprehensive (expense)/income</i>								
Exchange losses on foreign currency translation	-	-	(42.3)	-	-	-	-	(42.3)
Net fair value gains – cash flow hedges	-	-	-	1.1	-	-	-	1.1
Actuarial losses on retirement benefit obligation	-	-	-	-	-	-	(1.5)	(1.5)
Tax (charge)/credit on other comprehensive income	-	-	-	(0.2)	-	-	0.3	0.1
Total other comprehensive (expense)/income	-	-	(42.3)	0.9	-	-	(1.2)	(42.6)
Total comprehensive (expense)/income for the year	-	-	(42.3)	0.9	-	-	70.6	29.2
<i>Transactions with owners</i>								
Share-based payment adjustment to reserves	-	-	-	-	-	-	7.5	7.5
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(0.7)	(0.7)
Own shares acquired	-	-	-	-	(45.1)	-	(0.3)	(45.4)
Shares granted from treasury and employee trust	-	-	-	-	5.0	-	(5.0)	-
Dividends paid to Company shareholders	-	-	-	-	-	-	(22.9)	(22.9)
<b>At 31 December 2014</b>	<b>24.0</b>	<b>(22.5)</b>	<b>(32.5)</b>	<b>0.4</b>	<b>(43.1)</b>	<b>1.7</b>	<b>433.6</b>	<b>361.6</b>



Company – Attributable to owners of the Company	Called-up share capital £M	Other reserve £M	Hedging reserve £M	Own shares £M	Capital redemption reserve £M	Retained earnings £M	Total equity £M
At 1 January 2013	24.9	226.3	–	(4.5)	0.8	250.4	497.9
<i>Comprehensive income</i>							
Profit after taxation for the year	–	–	–	–	–	34.5	34.5
<i>Other comprehensive (expense)/ income</i>							
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
<i>Transactions with owners</i>							
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
<b>At 1 January 2014</b>	<b>24.0</b>	<b>226.3</b>	<b>(0.4)</b>	<b>(3.0)</b>	<b>1.7</b>	<b>208.9</b>	<b>457.5</b>
<i>Comprehensive income</i>							
Profit after taxation for the year	–	–	–	–	–	281.9	281.9
<i>Other comprehensive income/(expense)</i>							
Net fair value gains – cash flow hedges	–	–	0.5	–	–	–	0.5
Actuarial losses on retirement benefit obligation	–	–	–	–	–	(0.3)	(0.3)
Tax (charge)/credit on other comprehensive income	–	–	(0.1)	–	–	0.1	–
Total other comprehensive income/(expense)	–	–	0.4	–	–	(0.2)	0.2
Total comprehensive income for the year	–	–	0.4	–	–	281.7	282.1
<i>Transactions with owners</i>							
Share-based payment adjustment to reserves	–	–	–	–	–	7.5	7.5
Deferred tax on share-based payment transactions	–	–	–	–	–	(0.6)	(0.6)
Own shares acquired	–	–	–	(45.1)	–	(0.3)	(45.4)
Shares granted from treasury and employee trust	–	–	–	5.0	–	(5.0)	–
Dividends paid to Company shareholders	–	–	–	–	–	(22.9)	(22.9)
<b>At 31 December 2014</b>	<b>24.0</b>	<b>226.3</b>	<b>–</b>	<b>(43.1)</b>	<b>1.7</b>	<b>469.3</b>	<b>678.2</b>

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 £281.9 million (2013: £34.5 million).

The accounting policies and notes 1 to 31 are an integral part of these Financial Statements.

	Notes	Group		Company	
		2014 £M	2013 £M	2014 £M	2013 £M
<i>Cash flows from operating activities</i>					
Cash generated from/(used in) operating activities	27	121.7	84.2	(291.1)	(87.8)
Finance costs paid		(43.0)	(47.0)	(39.8)	(45.2)
Finance income received		-	-	32.9	29.4
Income tax (paid)/received		(44.8)	(38.5)	5.9	4.0
<b>Net cash generated from/(used in) operating activities</b>		<b>33.9</b>	<b>(1.3)</b>	<b>(292.1)</b>	<b>(99.6)</b>
<i>Cash flows from investing activities</i>					
Purchases of property, plant and equipment	13	(11.6)	(13.9)	-	-
Proceeds from sale of property, plant and equipment		0.3	0.6	-	-
Purchases of intangible assets	11	(9.3)	-	-	-
Dividends received from subsidiaries		-	-	300.0	56.4
<b>Net cash (used in)/generated from investing activities</b>		<b>(20.6)</b>	<b>(13.3)</b>	<b>300.0</b>	<b>56.4</b>
<b>Net cash generated from/(used in) operating and investing activities</b>		<b>13.3</b>	<b>(14.6)</b>	<b>7.9</b>	<b>(43.2)</b>
<i>Cash flows from financing activities</i>					
Proceeds from borrowings		289.3	142.4	264.2	134.9
Repayment of borrowings		(190.1)	(47.4)	(170.3)	(12.0)
Dividends paid to Company shareholders	7	(22.9)	(20.4)	(22.9)	(20.4)
Acquisition of own shares		(45.4)	(60.0)	(45.4)	(60.0)
Cash received on share options exercised		0.9	0.7	0.9	0.7
<b>Net cash generated from financing activities</b>		<b>31.8</b>	<b>15.3</b>	<b>26.5</b>	<b>43.2</b>
<b>Net increase in cash and cash equivalents</b>		<b>45.1</b>	<b>0.7</b>	<b>34.4</b>	<b>-</b>
Cash and cash equivalents at beginning of year		24.6	24.2	-	-
Exchange losses on cash and cash equivalents		(0.9)	(0.3)	-	-
<b>Cash and cash equivalents at end of year</b>	16	<b>68.8</b>	<b>24.6</b>	<b>34.4</b>	<b>-</b>
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand	16	68.8	24.6	34.4	-

The accounting policies and notes 1 to 31 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 2014 but do not have any impact on the Group:

- Annual improvements to IFRSs: 2011-2013 cycle;
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment entities';
- IAS 19 (amendment) 'Defined benefit plans: employee contributions';
- IAS 32 (amendment) 'Offsetting financial assets and financial liabilities';
- IAS 36 (amendment) 'Recoverable amount disclosures for non-financial assets';
- IAS 39 (amendment) 'Novation of derivatives and continuation of hedge accounting'; and
- IFRIC 21 'Levies'.

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

- IFRS 9 'Financial instruments'. This standard replaces IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and will affect the Group's accounting for its financial assets. The mandatory implementation date for this standard is 1 January 2018 however it has not yet been endorsed by the European Union. The Group is in the process of assessing IFRS 9's full impact;
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture';
- IFRS 11 (amendment) 'Accounting for acquisitions of interests in joint operations';
- IFRS 14 'Regulatory deferral accounts';
- IFRS 15 'Revenue from contracts with customers';
- Amendments to IAS 16 and IAS 38 'Clarification of acceptable methods of depreciation and amortisation';
- Amendments to IAS 16 and IAS 41 'Agriculture: bearer plants';
- IAS 27 'Equity method in separate Financial Statements; and
- Annual improvements to IFRSs: 2012-2014 cycle.

### 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 48.

### 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 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 agents' 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 recognised initially at the amount loaned to the customer plus directly attributable incremental issue costs. After initial recognition, customer receivables are measured subsequently 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.

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, currency 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 recognised initially at the fair value on the date a derivative contract is entered into and are remeasured subsequently at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately within the income statement.

For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in the fair value is recognised in 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 stated subsequently 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. Repair 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 in treasury and by employee trust

The net amount paid 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's 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 scheme

The charge or credit in the income statement in respect of the defined benefit pension scheme 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 scheme is the fair value of the scheme'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 scheme 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 schemes

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 £38.0 million higher/lower (2013: £39.2 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.

**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 a number 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 estimated originally, 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		Impairment		Profit before taxation	
	2014 £M	2013 £M	2014 £M	2013 £M	2014 £M	2013 £M
Poland-Lithuania	<b>308.8</b>	295.7	<b>84.2</b>	84.3	<b>71.0</b>	62.3
Czech-Slovakia	<b>136.9</b>	142.8	<b>42.0</b>	33.8	<b>24.3</b>	32.5
Hungary	<b>101.9</b>	97.6	<b>20.8</b>	18.4	<b>24.0</b>	19.4
Mexico	<b>160.3</b>	143.9	<b>49.6</b>	43.2	<b>16.5</b>	14.5
Romania-Bulgaria	<b>75.3</b>	66.8	<b>23.4</b>	18.9	<b>4.9</b>	3.1
Spain	-	-	-	-	<b>(2.0)</b>	-
UK costs*	-	-	-	-	<b>(15.2)</b>	(13.7)
Total – pre-exceptional items	<b>783.2</b>	746.8	<b>220.0</b>	198.6	<b>123.5</b>	118.1
Exceptional items	-	-	-	-	<b>(23.3)</b>	12.4
<b>Total</b>	<b>783.2</b>	746.8	<b>220.0</b>	198.6	<b>100.2</b>	130.5

\* Although 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.

Group	Segment assets		Segment liabilities	
	2014 £M	2013 £M	2014 £M	2013 £M
Poland-Lithuania	<b>322.0</b>	339.9	<b>135.9</b>	102.7
Czech-Slovakia	<b>176.0</b>	190.0	<b>121.7</b>	120.6
Hungary	<b>120.0</b>	127.2	<b>56.5</b>	58.9
Mexico	<b>183.3</b>	160.9	<b>134.7</b>	110.2
Romania-Bulgaria	<b>72.8</b>	73.0	<b>40.7</b>	40.3
Spain	<b>1.1</b>	-	<b>1.7</b>	-
UK	<b>87.6</b>	36.4	<b>110.0</b>	100.8
<b>Total</b>	<b>962.8</b>	927.4	<b>601.2</b>	533.5

Group	Capital expenditure		Depreciation	
	2014 £M	2013 £M	2014 £M	2013 £M
Poland-Lithuania	<b>2.9</b>	1.5	<b>1.4</b>	1.4
Czech-Slovakia	<b>1.4</b>	0.9	<b>1.2</b>	1.2
Hungary	<b>1.2</b>	2.6	<b>1.6</b>	1.5
Mexico	<b>3.1</b>	1.2	<b>1.1</b>	1.0
Romania-Bulgaria	<b>0.6</b>	0.8	<b>0.7</b>	0.7
Spain	<b>0.2</b>	-	-	-
UK	<b>2.2</b>	6.9	<b>4.3</b>	3.8
<b>Total</b>	<b>11.6</b>	13.9	<b>10.3</b>	9.6

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 £783.2 million (2013: £746.8 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 £21.7 million (2013: £15.7 million), and the total of non-current assets located in other countries is £16.6 million (2013: £14.9 million).

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

Expenditure on intangible assets of £9.3 million (2013: £nil) and amortisation of £1.0 million (2013: £1.1 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. Following the acquisition of MCB Finance and the launch of hapiloans, the Board is undertaking a review of the operating segments that it will use to assess the Group's performance going forward. As the Group expands, we anticipate reporting by business line (Home Credit and Digital) and by geographic region, and we will provide further detail in due course.

**2. Finance costs**

Group	2014 £M	2013 £M
Interest payable on borrowings	<b>45.3</b>	49.0

**3. Profit before taxation**

Profit before taxation is stated after charging:

Group	2014 £M	2013 £M
Depreciation of property, plant and equipment (note 13)	<b>10.3</b>	9.6
Loss on disposal of property, plant and equipment	<b>0.1</b>	3.1
Amortisation of intangible assets (note 11)	<b>1.0</b>	1.1
Operating lease rentals:		
– property	<b>10.0</b>	11.9
– equipment	<b>8.9</b>	9.6
Employee costs (note 9)	<b>167.5</b>	164.7

**4. Auditor's remuneration**

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

Group	2014 £M	2013 £M
Fees payable to the Company auditor for the audit of the Parent Company and Consolidated Financial Statements	<b>0.1</b>	0.1
Fees payable to the Company auditor and its associates for other services:		
– audit of Company's subsidiaries pursuant to legislation	<b>0.4</b>	0.3
– other assurance services	<b>0.1</b>	–

Further details on auditor remuneration can be found in the Audit and Risk Committee Report on page 67.

**5. Tax expense**

Group	2014 £M	2013 £M
Total current tax	<b>43.6</b>	44.2
Total deferred tax (note 14)	<b>(15.2)</b>	(9.3)
<b>Tax expense</b>	<b>28.4</b>	34.9

Group	2014 £M	2013 £M
<i>Tax (credit)/charge on other comprehensive income</i>		
Deferred tax charge on net fair value gains – cash flow hedges	<b>0.1</b>	–
Deferred tax (credit)/charge on actuarial losses/gains on retirement benefit obligation	<b>(0.3)</b>	0.4
Current tax charge/(credit) on net fair value gains/losses – cash flow hedges	<b>0.1</b>	(0.3)
	<b>(0.1)</b>	0.1

## 5. Tax expense continued

The rate of tax expense on the profit before taxation for the year ended 31 December 2014 is higher than (2013: higher than) the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained as follows:

Group	2014 £M	2013 £M
Profit before taxation	100.2	130.5
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	21.5	30.3
Effects of:		
- adjustment in respect of prior years	2.2	0.7
- adjustment in respect of foreign tax rates	2.7	1.2
- expenses not deductible for tax purposes	1.9	1.9
- impact of rate change on deferred tax asset	0.1	0.8
<b>Total tax expense</b>	<b>28.4</b>	<b>34.9</b>

Currently we have tax audits ongoing in Poland and Mexico. 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 £71.8 million (2013: £95.6 million) by the weighted average number of shares in issue during the period of 237.6 million (2013: 244.0 million) which has been adjusted to exclude the weighted average number of shares held in treasury and 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	2014 M	2013 M
Used in basic EPS calculation	237.6	244.0
Dilutive effect of awards	6.8	7.1
<b>Used in diluted EPS calculation</b>	<b>244.4</b>	<b>251.1</b>

Basic and diluted EPS are presented below:

Group	2014 pence	2013 pence
Basic EPS	30.2	39.2
Dilutive effect of awards	(0.8)	(1.1)
<b>Diluted EPS</b>	<b>29.4</b>	<b>38.1</b>

The adjusted earnings per share, of 38.0 pence (2013: 35.5 pence), shown in the financial highlights of this report has been presented before exceptional items, in order to better present the underlying performance of the Group.

## 7. Dividends

Group and Company	2014 £M	2013 £M
Interim dividend of 4.2 pence per share (2013: interim dividend of 3.8 pence per share)	9.8	9.4
Final 2013 dividend of 5.5 pence per share (2013: final 2012 dividend of 4.5 pence per share)	13.1	11.0
	<b>22.9</b>	<b>20.4</b>

The directors are recommending a final dividend in respect of the financial year ended 31 December 2014 of 7.8 pence per share which will amount to a full year dividend payment of £27.9 million. If approved by the shareholders at the annual general meeting ('AGM'), this dividend will be paid on 8 May 2015 to shareholders who are on the register of members at 10 April 2015. This dividend is not reflected as a liability in the balance sheet as at 31 December 2014 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.

	2014 £M	2013 £M
Short-term employee benefits	4.6	5.7
Post-employment benefits	0.2	0.3
Share-based payments	2.4	1.2
<b>Total</b>	<b>7.2</b>	<b>7.2</b>

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 88.

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	2014 Number	2013 Number
Full-time*	7,109	6,505
Part-time**	3,382	3,336
	<b>10,491</b>	<b>9,841</b>

\* Includes 197 agents in Hungary (2013: 167).

\*\* Includes 2,625 agents in Hungary (2013: 2,718).

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	2014 Number	2013 Number
Operations	6,201	6,038
Administration	1,129	1,086
Head office and security	3,161	2,717
	<b>10,491</b>	<b>9,841</b>

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

Group	2014 £M	2013 £M
Gross wages and salaries	133.4	131.4
Social security costs	28.2	29.1
Pension charge – defined contribution schemes (note 24)	1.0	1.1
Share-based payment charge (note 25)	4.9	3.1
<b>Total</b>	<b>167.5</b>	<b>164.7</b>

## 10. Exceptional items

Group	2014 £M	2013 £M
Exceptional (charge)/gain	(23.3)	12.4
Tax credit/(charge)	4.9	(3.0)
<b>Post-tax exceptional (charge)/gain</b>	<b>(18.4)</b>	<b>9.4</b>

Profit before taxation includes an exceptional loss of £23.3 million. This comprised £22.6 million incurred on the buyback of €190.2 million (£152.5 million at 30 June 2014) of existing 11.5% Eurobonds due 2015, and £0.7M of unamortised arrangement fees incurred following the refinancing of £100 million of bank facilities due to mature in early 2015. (2013: Profit before taxation comprised £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 needed to support our growth strategy, which identified assets that were no longer compatible with that vision).

## 11. Intangible assets

Group	2014 £M	2013 £M
<i>Net book value</i>		
At 1 January	1.8	3.2
Additions	9.3	-
Disposals	-	(0.3)
Amortisation	(1.0)	(1.1)
<b>At 31 December</b>	<b>10.1</b>	<b>1.8</b>
Analysed as:		
- cost	35.7	26.4
- amortisation	(25.6)	(24.6)
<b>At 31 December</b>	<b>10.1</b>	<b>1.8</b>

Intangible assets comprise computer software.

The Company has no intangible assets.

## 12. Investment in subsidiaries

Company	2014 £M	2013 £M
Investment in subsidiaries	663.6	663.6
Share-based payment adjustment	8.5	5.5
	<b>672.1</b>	<b>669.1</b>

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. £8.5 million (2013: £5.5 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.

**12. Investment in subsidiaries continued**

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
International Personal Finance Spain S.A.	Spain	Home credit

The subsidiaries shown above are those which principally affect the figures shown in the Financial Statements. 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 operation of Lithuania is 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	
	2014 £M	2013 £M	2014 £M	2013 £M
<i>Cost</i>				
At 1 January	<b>84.6</b>	80.3	<b>0.9</b>	0.9
Exchange adjustments	<b>(4.6)</b>	(0.6)	-	-
Additions	<b>11.6</b>	13.9	-	-
Disposals	<b>(6.0)</b>	(9.0)	-	-
<b>At 31 December</b>	<b>85.6</b>	84.6	<b>0.9</b>	0.9
<i>Depreciation</i>				
At 1 January	<b>55.8</b>	52.0	<b>0.6</b>	0.4
Exchange adjustments	<b>(3.1)</b>	(0.5)	-	-
Charge to the income statement	<b>10.3</b>	9.6	<b>0.1</b>	0.2
Disposals	<b>(5.6)</b>	(5.3)	-	-
<b>At 31 December</b>	<b>57.4</b>	55.8	<b>0.7</b>	0.6
<b>Net book value at 31 December</b>	<b>28.2</b>	28.8	<b>0.2</b>	0.3

#### 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	
	2014 £M	2013 £M	2014 £M	2013 £M
At 1 January	65.2	57.1	1.8	1.9
Exchange adjustments	(6.2)	(1.1)	-	-
Tax credit/(charge) to the income statement	15.2	9.3	0.3	(0.3)
Tax credit/(charge) on other comprehensive income	0.2	(0.4)	0.1	(0.1)
Tax (charge)/credit on items taken directly to equity	(0.7)	0.3	(0.6)	0.3
<b>At 31 December</b>	<b>73.7</b>	<b>65.2</b>	<b>1.6</b>	<b>1.8</b>

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 2013	12.1	0.7	44.3	57.1	0.1	1.8	1.9	
Exchange adjustments	-	-	(1.1)	(1.1)	-	-	-	
Tax 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	
<b>At 1 January 2014</b>	<b>13.2</b>	<b>0.2</b>	<b>51.8</b>	<b>65.2</b>	<b>-</b>	<b>1.8</b>	<b>1.8</b>	
Exchange adjustments	(1.2)	-	(5.0)	(6.2)	-	-	-	
Tax (charge)/credit to the income statement	(3.4)	(0.1)	18.7	15.2	-	0.3	0.3	
Tax credit/(charge) on other comprehensive income	-	0.3	(0.1)	0.2	0.1	-	0.1	
Tax charge on items taken directly to equity	-	-	(0.7)	(0.7)	-	(0.6)	(0.6)	
<b>At 31 December 2014</b>	<b>8.6</b>	<b>0.4</b>	<b>64.7</b>	<b>73.7</b>	<b>0.1</b>	<b>1.5</b>	<b>1.6</b>	

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	2014 £M	2013 £M
Amounts receivable from customers comprise:		
- amounts due within one year	723.9	739.1
- amounts due in more than one year	36.6	45.7
	<b>760.5</b>	<b>784.8</b>

**15. Amounts receivable from customers continued**

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	2014 £M	2013 £M
Polish zloty	<b>293.3</b>	310.0
Czech crown	<b>100.3</b>	114.4
Euro	<b>51.9</b>	55.6
Hungarian forint	<b>109.5</b>	112.5
Mexican peso	<b>132.5</b>	122.5
Romanian leu	<b>68.4</b>	69.0
Lithuanian litas	<b>2.3</b>	0.4
Bulgarian lev	<b>2.3</b>	0.4
	<b>760.5</b>	784.8

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average EIR of 121% (2013: 126%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 5.6 months (2013: 5.8 months).

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

Revenue recognised on amounts receivable from customers which have been impaired was £458.6 million (2013: £421.7 million).

Management monitor credit quality using two key metrics: impairment as a percentage of revenue and gross cash loss ('GCL') development. 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 2014 our preliminary GCL forecast for 2015 was 13.2%. The outturn for 2013 lending as at 31 December 2014 was 14.3%.

The Company has no amounts receivable from customers.

**16. Cash and cash equivalents**

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Cash at bank and in hand	<b>68.8</b>	24.6	<b>34.4</b>	-

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

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Sterling	<b>26.6</b>	-	<b>26.6</b>	-
Polish zloty	<b>9.1</b>	8.0	-	-
Czech crown	<b>4.4</b>	4.1	<b>0.1</b>	-
Euro	<b>14.7</b>	1.5	<b>7.7</b>	-
Hungarian forint	<b>2.6</b>	3.3	-	-
Mexican peso	<b>6.1</b>	4.3	-	-
Romanian leu	<b>3.7</b>	2.6	-	-
Lithuanian litas	<b>0.7</b>	0.3	-	-
Bulgarian lev	<b>0.9</b>	0.5	-	-
<b>Total</b>	<b>68.8</b>	24.6	<b>34.4</b>	-



## 17. Other receivables

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Other receivables	3.0	2.8	-	-
Prepayments	11.1	11.6	0.9	0.9
Amounts due from Group undertakings	-	-	479.5	375.5
<b>Total</b>	<b>14.1</b>	<b>14.4</b>	<b>480.4</b>	<b>376.4</b>

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	
	2014 £M	2013 £M	2014 £M	2013 £M
Trade payables	7.7	4.6	0.1	0.1
Other payables including taxation and social security	29.9	24.7	0.2	-
Accruals	57.7	73.5	20.5	19.4
Amounts due to Group undertakings	-	-	70.4	246.4
<b>Total</b>	<b>95.3</b>	<b>102.8</b>	<b>91.2</b>	<b>265.9</b>

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	
	2014 £M	2013 £M	2014 £M	2013 £M
<i>Borrowings</i>				
Bank borrowings	15.9	29.4	-	0.7
Bonds	462.4	371.1	426.2	331.6
<b>Total</b>	<b>478.3</b>	<b>400.5</b>	<b>426.2</b>	<b>332.3</b>

The Group's external bonds comprise the following:

Bond	Coupon %	Maturity date	2014 £M
€300 million EMTN	5.750	2021	233.1
£101.5 million retail bond	6.125	2020	101.5
Polish zloty 200.0 million PMTN	Six month WIBOR plus 750 basis points	2015	36.3
€40 million EMTN	4.250	2018	31.1
€34.8 million EMTN	11.500	2015	27.0
Romanian lei 60.5 million EMTN	8.100	2016	10.5
Hungarian forint 4.0 billion EMTN	11.000	2018	9.8
Czech crown 280.0 million EMTN	8.500	2015	7.9
Czech crown 250.0 million EMTN	5.250	2018	7.0
Czech crown 100.0 million EMTN	9.000	2016	2.8
			<b>467.0</b>
Less: unamortised arrangement fees			<b>(4.6)</b>
			<b>462.4</b>

The Polish zloty 200 million (£36.3 million) bonds are floating rate bonds, although derivative contracts have been used to fix borrowing costs up to March 2015. All of the external bank borrowings of the Group are at floating rates.

**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	
	2014 £M	2013 £M	2014 £M	2013 £M
<i>Borrowings</i>				
Repayable:				
- in less than one year	73.7	14.4	34.8	6.2
- between one and two years	14.1	247.5	13.3	193.1
- between two and five years	59.5	38.3	47.1	32.7
- greater than five years	331.0	100.3	331.0	100.3
<b>Total</b>	<b>478.3</b>	<b>400.5</b>	<b>426.2</b>	<b>332.3</b>

The average period to maturity of the Group's external bonds and committed external borrowing facilities is 4.1 years (2013: 2.5 years).

The currency exposure on external borrowings is as follows:

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Sterling	100.4	101.0	100.4	101.0
Polish zloty	37.6	46.5	-	-
Czech crown	17.5	23.3	17.5	18.7
Euro	289.8	186.9	288.3	185.1
Hungarian forint	12.7	17.9	9.5	10.8
Mexican peso	9.8	8.2	-	-
Romanian leu	10.5	16.7	10.5	16.7
<b>Total</b>	<b>478.3</b>	<b>400.5</b>	<b>426.2</b>	<b>332.3</b>

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

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
<i>Bond and bank facilities available</i>				
Repayable:				
- on demand	14.0	14.0	5.0	5.0
- in less than one year	88.0	31.3	34.9	5.5
- between one and two years	42.1	361.3	13.3	255.9
- between two and five years	171.4	67.7	75.7	33.1
- greater than five years	334.6	101.5	334.6	101.5
<b>Total</b>	<b>650.1</b>	<b>575.8</b>	<b>463.5</b>	<b>401.0</b>

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

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Expiring within one year	28.3	30.9	5.1	4.3
Expiring between one and two years	28.0	113.8	-	62.8
Expiring in more than two years	115.5	30.6	32.2	1.6
<b>Total</b>	<b>171.8</b>	<b>175.3</b>	<b>37.3</b>	<b>68.7</b>

## 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 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 debt facilities and hedging capacity are sufficient for the currency requirements of each country. At 31 December 2014, the Group's bonds and committed borrowing facilities had an average period to maturity of 4.1 years (2013: 2.5 years).

As shown in note 19, total undrawn facilities as at 31 December 2014 were £171.8 million (2013: £175.3 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	
	2014 £M	2013 £M	2014 £M	2013 £M
Not later than six months	<b>53.1</b>	29.3	<b>13.4</b>	20.9
Later than six months and not later than one year	<b>48.5</b>	21.8	<b>47.0</b>	16.3
Later than one year and not later than two years	<b>38.2</b>	275.1	<b>36.4</b>	217.4
Later than two years and not later than five years	<b>122.8</b>	62.2	<b>109.8</b>	56.1
Later than five years	<b>353.6</b>	109.9	<b>353.6</b>	109.9
	<b>616.2</b>	498.3	<b>560.2</b>	420.6

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:

Group	2014		2013	
	Outflow £M	Inflow £M	Outflow £M	Inflow £M
Not later than one month	<b>105.5</b>	<b>105.0</b>	45.3	45.4
Later than one month and not later than six months	<b>104.2</b>	<b>103.9</b>	114.1	115.2
Later than six months and not later than one year	<b>94.6</b>	<b>95.2</b>	78.0	77.9
Later than one year and not later than two years	<b>60.1</b>	<b>59.3</b>	36.6	34.9
Later than two years and not later than five years	<b>15.9</b>	<b>15.9</b>	18.3	16.9
	<b>380.3</b>	<b>379.3</b>	292.3	290.3

**20. Risks arising from financial instruments continued**

Company	2014		2013	
	Outflow £M	Inflow £M	Outflow £M	Inflow £M
Not later than one month	0.3	0.3	0.7	0.7
Later than one month and not later than six months	2.1	1.9	2.2	2.0
Later than six months and not later than one year	1.6	1.3	4.0	3.7
Later than one year and not later than two years	1.4	1.0	1.5	0.9
Later than two years and not later than five years	15.8	15.9	18.3	16.9
	<b>21.2</b>	<b>20.4</b>	26.7	24.2

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 %
<b>2013</b>				
Less than one year	739.1	94.2	45.3	7.9
Later than one year	45.7	5.8	530.5	92.1
	<b>784.8</b>	<b>100.0</b>	<b>575.8</b>	<b>100.0</b>
<b>2014</b>				
Less than one year	<b>723.9</b>	<b>95.2</b>	<b>102.0</b>	<b>15.7</b>
Later than one year	<b>36.6</b>	<b>4.8</b>	<b>548.1</b>	<b>84.3</b>
	<b>760.5</b>	<b>100.0</b>	<b>650.1</b>	<b>100.0</b>

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 (5.8% in 2014; 6.6% in 2013) 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	2014 £M	2013 £M
Increase in fair value of derivatives taken to equity	0.3	0.7
Reduction in profit before taxation	0.2	0.4

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 2014 is a decrease in net assets of £42.3 million (2013: decrease of £3.9 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	2014 £M	2013 £M
Change in reserves	6.0	5.8
Change in profit before taxation	8.0	7.7

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	2014 £M	2013 £M
Cash and cash equivalents	68.8	24.6
Derivative financial assets	5.8	6.5
<b>Total</b>	<b>74.6</b>	<b>31.1</b>

The table above 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 lends only to those customers who we believe can afford the repayments. The amount loaned 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	2014 £M	2013 £M
Amounts receivable from customers	<b>760.5</b>	784.8

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 £6.2 million that is past due but not impaired (2013: £7.2 million). This is in relation to the first four weeks of loans for new customers, and allows a repayment pattern to be established.

An analysis of the amounts receivable from customers that are individually determined to be impaired is set out by geographical segment below:

Group	Not impaired		Impaired	
	2014 £M	2013 £M	2014 £M	2013 £M
Poland-Lithuania	<b>74.5</b>	88.7	<b>221.1</b>	221.7
Czech-Slovakia	<b>43.3</b>	53.1	<b>108.9</b>	116.9
Hungary	<b>38.3</b>	40.3	<b>71.2</b>	72.2
Mexico	<b>33.1</b>	36.0	<b>99.4</b>	86.5
Romania-Bulgaria	<b>21.9</b>	26.0	<b>48.8</b>	43.4
	<b>211.1</b>	244.1	<b>549.4</b>	540.7

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	2014 %	2013 %
Poland-Lithuania	<b>27.3</b>	28.5
Czech-Slovakia	<b>30.7</b>	23.7
Hungary	<b>20.4</b>	18.9
Mexico	<b>30.9</b>	30.0
Romania-Bulgaria	<b>31.1</b>	28.3

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2013: £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	2014 £M	2013 £M
Receivables	760.5	784.8
Borrowings	(478.3)	(400.5)
Other net assets	79.4	9.6
Equity	361.6	393.9
Equity as % of receivables	47.5%	50.2%
Gearing	1.3	1.0

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 1.3 times (2013: 1.0 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	2014 £M	2013 £M
<i>Assets</i>		
Foreign currency contracts	5.8	6.5
<b>Total</b>	<b>5.8</b>	<b>6.5</b>
<i>Liabilities</i>		
Interest rate swaps	-	0.5
Foreign currency contracts	2.7	3.2
<b>Total</b>	<b>2.7</b>	<b>3.7</b>

**21. Derivative financial instruments continued**

Company	2014 £M	2013 £M
<i>Assets</i>		
Foreign currency contracts	0.9	-
<b>Total</b>	<b>0.9</b>	<b>-</b>

Company	2014 £M	2013 £M
<i>Liabilities</i>		
Foreign currency contracts	-	0.4
<b>Total</b>	<b>-</b>	<b>0.4</b>

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.

**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 £1.1 million has been credited to equity for the Group in the period in respect of cash flow hedges (2013: £0.5 million charged to equity), Company: £0.5 million credit (2013: £0.5 million charge).

*Foreign currency contracts*

The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2014 is £373.8 million (2013: £281.9 million). These comprise:

- foreign currency contracts to buy or sell operational currencies against the euro for a total notional amount of £242.4 million (2013: £205.4 million). These contracts have various maturity dates up to December 2016 (2013: June 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 £0.3 million (2013: £0.4 million). These contracts have various maturity dates up to October 2015 (2013: November 2014). 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 £131.1 million (2013: £76.1 million). These contracts have various maturity dates up to November 2018 (2013: November 2018). 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 2014 is £15.7 million (2013: £19.4 million). These comprise:

- foreign currency contracts to buy or sell operational currencies against the euro for a total notional amount of £2.6 million (2013: £3.2 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;
- foreign currency contracts to buy or sell various currencies for a total notional amount of £nil (2013: £2.3 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 £13.1 million (2013: £13.9 million). These contracts have various maturity dates up to November 2018 (2013: November 2018). 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 £45.4 million (2013: £57.0 million). In 2014, 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.



## 21. Derivative financial instruments continued

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 £nil million (2013: £0.1 million) 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:

Group	2014			2013		
	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	1.8	1.6 - 2.5	1.4	4.1	2.5 - 5.0	0.6
Mexican peso	-	-	-	5.0	5.0	1.2

The Company did not hold any interest rate swaps at 31 December 2014 (31 December 2013: £nil).

## 22. Analysis of financial assets and financial liabilities

### Financial assets

An analysis of Group financial assets is presented below:

Group	2014			2013		
	Loans and receivables £M	Derivatives used for hedging £M	Total £M	Loans and receivables £M	Derivatives used for hedging £M	Total £M
Amounts receivable from customers	760.5	-	760.5	784.8	-	784.8
Derivative financial instruments	-	5.8	5.8	-	6.5	6.5
Cash and cash equivalents	68.8	-	68.8	24.6	-	24.6
Other receivables	14.1	-	14.1	14.4	-	14.4
Current tax assets	1.6	-	1.6	1.3	-	1.3
	<b>845.0</b>	<b>5.8</b>	<b>850.8</b>	825.1	6.5	831.6

### Financial liabilities

An analysis of Group financial liabilities is presented below:

Group	2014			2013		
	Financial liabilities at amortised cost £M	Derivatives used for hedging £M	Total £M	Financial liabilities at amortised cost £M	Derivatives used for hedging £M	Total £M
Bonds	462.4	-	462.4	371.1	-	371.1
Bank borrowings	15.9	-	15.9	29.4	-	29.4
Derivative financial instruments	-	2.7	2.7	-	3.7	3.7
Trade and other payables	95.3	-	95.3	102.8	-	102.8
Current tax liabilities	22.9	-	22.9	25.6	-	25.6
	<b>596.5</b>	<b>2.7</b>	<b>599.2</b>	528.9	3.7	532.6

**23. Fair values of financial assets and liabilities**

The fair value and carrying value of the financial assets and liabilities of the Group are set out below:

Group	2014		2013	
	Fair value £M	Carrying value £M	Fair value £M	Carrying value £M
<i>Financial assets</i>				
Amounts receivable from customers	<b>1,078.3</b>	<b>760.5</b>	1,079.7	784.8
Derivative financial instruments	<b>5.8</b>	<b>5.8</b>	6.5	6.5
Cash and cash equivalents	<b>68.8</b>	<b>68.8</b>	24.6	24.6
Other receivables	<b>14.1</b>	<b>14.1</b>	14.4	14.4
Current tax assets	<b>1.6</b>	<b>1.6</b>	1.3	1.3
	<b>1,168.6</b>	<b>850.8</b>	1,126.5	831.6
<i>Financial liabilities</i>				
Bonds	<b>452.1</b>	<b>462.4</b>	401.9	371.1
Bank borrowings	<b>15.9</b>	<b>15.9</b>	29.4	29.4
Derivative financial instruments	<b>2.7</b>	<b>2.7</b>	3.7	3.7
Trade and other payables	<b>95.3</b>	<b>95.3</b>	102.8	102.8
Current tax liabilities	<b>22.9</b>	<b>22.9</b>	25.6	25.6
	<b>588.9</b>	<b>599.2</b>	563.4	532.6

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

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

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

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 their 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 as at 31 December 2014. The major assumptions used by the actuary were:

Group and Company	2014 %	2013 %
Price inflation ('CPI')	<b>2.2</b>	2.6
Rate of increase to pensions in payment	<b>3.0</b>	3.3
Discount rate	<b>3.7</b>	4.6

The expected return on scheme 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.

#### 24. Retirement benefit obligations continued

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 27 years. On average, we expect a female retiring in the future at age 65 to live for a further 28 years. If life expectancies had been assumed to be one year greater for all members, the defined benefit obligation would increase by approximately £1.2 million.

If the discount rate was 250 basis points higher/(lower), the defined benefit obligation would decrease by £2.4 million/(increase by £2.6 million).

If the price inflation rate was 250 basis points higher/(lower), the defined benefit obligation would increase by £1.4 million/(decrease by £1.4 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	
	2014 £M	2013 £M	2014 £M	2013 £M
Equities	19.5	18.2	4.3	4.0
Bonds	9.2	8.2	2.0	1.8
Index-linked gilts	8.1	6.7	1.8	1.5
Other	0.1	0.1	-	-
Total fair value of scheme assets	36.9	33.2	8.1	7.3
Present value of funded defined benefit obligations	(38.9)	(34.1)	(8.5)	(7.5)
<b>Net obligation recognised in the balance sheet</b>	<b>(2.0)</b>	<b>(0.9)</b>	<b>(0.4)</b>	<b>(0.2)</b>

The amounts recognised in the income statement are as follows:

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Interest cost	1.5	1.5	0.3	0.3
Expected return on scheme assets	(1.5)	(1.4)	(0.3)	(0.2)
<b>Net cost recognised in the income statement</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>

The net cost is included within administrative expenses.

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

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Fair value of scheme assets at 1 January	33.2	30.0	7.3	6.7
Expected return on scheme assets	1.5	1.3	0.3	0.2
Actuarial gains on scheme assets	2.2	2.1	0.5	0.5
Contributions by the Group	0.4	0.5	0.1	0.1
Net benefits paid out	(0.4)	(0.7)	(0.1)	(0.2)
<b>Fair value of scheme assets at 31 December</b>	<b>36.9</b>	<b>33.2</b>	<b>8.1</b>	<b>7.3</b>

**24. Retirement benefit obligations continued**

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

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Defined benefit obligation at 1 January	(34.1)	(33.2)	(7.5)	(7.3)
Interest cost	(1.5)	(1.4)	(0.3)	(0.3)
Actuarial losses on scheme liabilities	(3.7)	(0.2)	(0.8)	-
Net benefits paid out	0.4	0.7	0.1	0.1
<b>Defined benefit obligation at 31 December</b>	<b>(38.9)</b>	<b>(34.1)</b>	<b>(8.5)</b>	<b>(7.5)</b>

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

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Expected return on scheme assets	1.5	1.3	0.3	0.2
Actuarial gains on scheme assets	2.2	2.1	0.5	0.5
<b>Actual return on scheme assets</b>	<b>3.7</b>	<b>3.4</b>	<b>0.8</b>	<b>0.7</b>

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

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

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Actuarial gains on scheme assets	2.2	2.1	0.5	0.5
Actuarial losses on scheme liabilities	(3.7)	(0.2)	(0.8)	-
Total (loss)/gain recognised in the SOCl in the year	(1.5)	1.9	(0.3)	0.5
<b>Cumulative amount of losses recognised in the SOCl</b>	<b>(16.2)</b>	<b>(14.7)</b>	<b>(3.5)</b>	<b>(3.2)</b>

The history of experience adjustments is as follows:

Group	2014	2013	2012*	2011*	2010*
Experience gains/(losses) on scheme assets:					
- amount (£M)	2.2	2.1	1.8	(1.2)	1.6
- percentage of scheme assets (%)	6.0	6.3	6.0	(3.7)	4.6
Experience losses on scheme liabilities:					
- amount (£M)	(1.2)	-	-	(1.3)	-
- percentage of scheme liabilities (%)	(3.1)	-	-	(3.6)	-

\*As required under IAS 19

## 24. Retirement benefit obligations continued

Company	2014	2013	2012*	2011*	2010*
Experience gains/(losses) on scheme assets:					
- amount (£M)	<b>0.5</b>	0.5	0.4	(0.3)	0.3
- percentage of scheme assets (%)	<b>6.2</b>	6.8	6.0	(4.2)	3.9
Experience losses on scheme liabilities:					
- amount (£M)	<b>(0.3)</b>	-	-	(0.3)	-
- percentage of scheme liabilities (%)	<b>(3.5)</b>	-	-	(3.8)	-

\*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 schemes 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 scheme and amounted to £1.0 million for the year ended 31 December 2014 (2013: £1.1 million). £nil contributions were payable to the scheme at the year end (2013: £nil).

In addition, an amount of £0.1 million (2013: £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 five 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'); The International Personal Finance plc Deferred Share Plan ('the Deferred Share Plan'); and the International Personal Finance plc Have Your Share plan ('the HYS plan'). A number of awards have been granted under these schemes during the period under review.

All options granted under both the Performance Share Plans and CSOPs 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. There are no performance conditions associated with the HYS plan; if an employee purchases a number of shares (subject to a maximum), the Company grants a nil cost option over four times the number of shares initially purchased. The only criterion associated with this option is that the employee must remain in employment for three years following the initial grant date. The income statement charge in respect of this scheme is calculated using the share price at the date of grant.

The income statement charge in respect of the SAYE scheme is calculated using a Monte Carlo simulation model, however, no TSR targets are assigned. The Deferred Share Plan comprises of deferred awards with matching awards. There are no additional performance criteria attached to the deferred awards, therefore, the income statement charge is calculated using the actual share price at the date the award is granted. The matching awards are subject to the same criteria as the Performance Share Plan. The total income statement charge in respect of these share-based payments is £4.9 million (2013: £3.1 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 Plans	Performance Share Plans	HYS plans
Grant date	2014	2014	2014	2014	2014
Share price at award date	5.12	5.41	5.20	5.41-5.50	6.09
Base price for TSR	n/a	5.64	5.58	5.54-5.64	n/a
Exercise price	4.39	5.26	n/a	nil	n/a
Vesting period (years)	3 and 5	3-4	3	3-4	3
Expected volatility	46.0%	50.2%	50.2%	46.0-50.2%	n/a
Award life (years)	Up to 5	3	3	3	3
Expected life (years)	Up to 5	3	3	3	3
Risk-free rate	2.37%	2.70%	2.66%	2.55-2.70%	n/a
Expected dividends expressed as a dividend yield	1.82%	1.54%	1.6%	1.54-1.69%	n/a
Deferred portion	n/a	50.0%	n/a	50.0%	n/a
TSR threshold	n/a	30.0%	30.0%	30.0%	n/a
TSR maximum target	n/a	60.0%	60.0%	60.0%	n/a
EPS threshold	n/a	n/a and 6.0%	n/a	n/a and 6.0%	n/a
EPS maximum target	n/a	n/a and 15.0%	n/a	n/a and 15.0%	n/a
Net revenue threshold	n/a	n/a and 5.0%	n/a	n/a and 5.0%	n/a
Net revenue maximum target	n/a	n/a and 12.0%	n/a	n/a and 12.0%	n/a
Customer numbers threshold	n/a	n/a and 10.0%	n/a	n/a and 10.0%	n/a
Customer numbers target	n/a	n/a and 25.0%	n/a	n/a and 25.0%	n/a
Agent turnover threshold	n/a	n/a and 50.0%	n/a	n/a and 50.0%	n/a
Agent turnover target	n/a	n/a and 40.0%	n/a	n/a and 40.0%	n/a
Fair value per award (£)	2.50	1.58-2.00	2.52-4.96	2.66-5.23	n/a

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 Plans, CSOPs, Deferred Share Plans, SAYEs and HYS plans is given in the Directors' Remuneration Report.

The movements in awards during the year for the Group are outlined in the table below:

Group	SAYE schemes		CSOPs		Deferred Share Plans		Performance Share Plans		HYS plans	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January 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	-	-	-
Outstanding at 1 January 2014	<b>406,240</b>	<b>2.19</b>	<b>481,829</b>	<b>2.80</b>	<b>1,710,952</b>	<b>-</b>	<b>4,964,136</b>	<b>-</b>	<b>-</b>	<b>-</b>
Granted	<b>134,566</b>	<b>4.39</b>	<b>65,758</b>	<b>5.26</b>	<b>471,001</b>	<b>-</b>	<b>1,117,278</b>	<b>-</b>	<b>225,912</b>	<b>-</b>
Expired/lapsed	<b>(22,929)</b>	<b>3.68</b>	<b>(25,340)</b>	<b>3.69</b>	<b>(22,527)</b>	<b>-</b>	<b>(228,686)</b>	<b>-</b>	<b>(8,891)</b>	<b>-</b>
Exercised	<b>(117,449)</b>	<b>1.30</b>	<b>(189,978)</b>	<b>2.26</b>	<b>(538,149)</b>	<b>-</b>	<b>(1,171,802)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Outstanding at 31 December 2014</b>	<b>400,428</b>	<b>3.10</b>	<b>332,269</b>	<b>3.57</b>	<b>1,621,277</b>	<b>-</b>	<b>4,680,926</b>	<b>-</b>	<b>217,021</b>	<b>-</b>

The weighted average share price at the date of exercise for the share options exercised during the year was £5.29.

## 25. Share-based payments continued

The movements in awards during the year for the Company are outlined in the table below:

Company	SAYE schemes		CSOPs		Deferred Share Plans		Performance Share Plans	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
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	-
Outstanding at 1 January 2014	<b>242,932</b>	<b>2.15</b>	<b>265,758</b>	<b>2.70</b>	<b>995,067</b>	<b>-</b>	<b>2,297,107</b>	<b>-</b>
Granted	<b>89,189</b>	<b>4.39</b>	<b>52,798</b>	<b>5.26</b>	<b>317,351</b>	<b>-</b>	<b>520,588</b>	<b>-</b>
Transferred	-	-	-	-	<b>6,735</b>	<b>-</b>	<b>31,520</b>	<b>-</b>
Expired/lapsed	<b>(13,338)</b>	<b>3.11</b>	<b>(6,787)</b>	<b>3.11</b>	<b>(11,762)</b>	<b>-</b>	<b>(65,140)</b>	<b>-</b>
Exercised	<b>(73,654)</b>	<b>2.17</b>	<b>(113,181)</b>	<b>2.17</b>	<b>(264,282)</b>	<b>-</b>	<b>(625,028)</b>	<b>-</b>
<b>Outstanding at 31 December 2014</b>	<b>245,129</b>	<b>3.16</b>	<b>198,588</b>	<b>3.58</b>	<b>1,043,109</b>	<b>-</b>	<b>2,159,047</b>	<b>-</b>

The Company does not have any awards under the HYS plan.

The weighted average share price at the date of exercise for the share options exercised during the year was £5.33.

## 26. Share capital

Company	2014 £M	2013 £M
At 1 January	<b>24.0</b>	24.9
Own shares acquired	-	(0.9)
<b>At 31 December</b>	<b>24.0</b>	24.0

Share capital consists of 239,705,096 fully paid up shares (2013: 239,705,096 fully paid up shares) at a nominal value of 10 pence.

During 2013 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.

The own share reserve represents the cost of shares in IPF purchased from the market, which can be used to satisfy options under the Group's share options schemes (see note 25). The number of ordinary shares held in treasury and by the employee trust at 31 December 2014 was 8,874,019 (2013: 2,248,187).

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

	Group		Company	
	2014 £M	2013 £M	2014 £M	2013 £M
Profit after taxation	<b>71.8</b>	95.6	<b>281.9</b>	34.5
Adjusted for:				
- tax charge/(credit)	<b>28.4</b>	34.9	<b>(4.0)</b>	(6.0)
- finance costs	<b>45.3</b>	49.0	<b>42.3</b>	42.7
- finance income	-	-	<b>(33.0)</b>	(29.3)
- dividends received from subsidiaries	-	-	<b>(300.0)</b>	(56.4)
- share-based payment charge (note 25)	<b>4.9</b>	3.1	<b>1.9</b>	2.5
- defined benefit pension charge (note 24)	-	0.1	-	-
- depreciation of property, plant and equipment (note 13)	<b>10.3</b>	9.6	<b>0.1</b>	0.2
- loss on disposal of property, plant and equipment (note 3)	<b>0.1</b>	3.1	-	-
- amortisation of intangible assets (note 11)	<b>1.0</b>	1.1	-	-
- loss on disposal of intangible assets	-	0.3	-	-
Changes in operating assets and liabilities:				
- amounts receivable from customers	<b>(36.3)</b>	(143.1)	-	-
- other receivables	<b>(1.9)</b>	0.9	<b>(103.9)</b>	(104.3)
- trade and other payables	<b>(2.2)</b>	35.2	<b>(175.5)</b>	28.3
- retirement benefit obligation	<b>(0.4)</b>	(0.5)	<b>(0.1)</b>	0.1
- derivative financial instruments	<b>0.7</b>	(5.1)	<b>(0.8)</b>	(0.1)
Cash generated from/(used in) operating activities	<b>121.7</b>	84.2	<b>(291.1)</b>	(87.8)

**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	2014 £M	2013 £M
In less than one year	<b>12.9</b>	16.0
In more than one year but not later than five years	<b>28.0</b>	23.2
In more than five years	<b>7.8</b>	0.4
	<b>48.7</b>	39.6

Other commitments are as follows:

Group	2014 £M	2013 £M
Capital expenditure commitments contracted with third parties but not provided for at 31 December	<b>7.1</b>	3.6

The Company has no commitments as at 31 December 2014 (2013: £nil).

**29. Post balance sheet events**

On 6 February 2015 the Group acquired 100% of the issued share capital of MCB Finance Group plc ('MCB'), a profitable digital consumer finance provider established in 2006, for a cash consideration of £23.8 million.

The acquisition supports IPF's digital strategy and brings expertise, technical platforms and four new geographies to our portfolio as well as increasing our presence in Lithuania. MCB provides an online loan offering and credit line product together with new distribution and service channels. We will also benefit from the experienced management who can help accelerate the development of our digital lending business. Our plan is to integrate the digital hapiloans business into MCB and commence plans for the rollout of this digital business into our existing markets. MCB will also benefit from our investment support and funding to further grow the business which we expect to be earnings accretive in 2015.



### 29. Post balance sheet events continued

Acquisition-related costs, included in administrative expenses in the Group consolidated income statement, amounted to £1.1 million.

The allocation of the consideration is subject to a full purchase price allocation exercise, which due to the timing of the acquisition has not yet been completed as at 25 February 2015 and, therefore, the initial accounting for the business combination is incomplete. As a result, the Group is unable to disclose the following information regarding the acquisition:

- the gross contractual amount, fair value amount, or estimated contractual cash flows not expected to be collected from the receivables acquired;
- the amounts recognised as at the acquisition date for each major class of assets and liabilities acquired/assumed;
- the existence of or the values relating to any contingent liabilities recognised upon acquisition; and
- the amount of goodwill acquired and the amount of goodwill that is expected to be deductible for tax purposes.

This information will be detailed within the Financial Statements for the year ending 31 December 2015.

### 30. 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, the Group believes that it is calculating the total cost of credit and APR correctly and has appealed against the decision. Consequently the Group has not made a provision in the Financial Statements for the cost of the fine because it does not believe it constitutes a probable 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 £214.3 million (2013: £235.3 million). At 31 December 2014, the fixed and floating rate borrowings under these facilities amounted to £52.1 million (2013: £68.7 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 2014 was £nil (2013: £nil).

### 31. 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:

Company	2014			2013		
	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	-	11.4	0.4	-	7.2	0.1
Romania-Bulgaria	-	-	-	-	-	-
Other UK companies	7.8	10.2	98.7	3.8	9.4	77.1
	<b>7.8</b>	<b>21.6</b>	<b>99.1</b>	<b>3.8</b>	<b>16.6</b>	<b>77.2</b>

The Group's only related party transactions are remuneration of key management personnel as disclosed in note 8.

**Financial Calendar for 2015**

25 February	Announcement of 2014 final results
9 April	Ex-dividend date for final dividend
10 April	Record date for final dividend
30 April	AGM/Announcement of Q1 Interim Management Statement
8 May	Payment of 2014 final dividend
29 July	Announcement of 2015 half yearly report
3 September	Ex-dividend date for interim dividend
4 September	Record date for interim dividend
2 October	Payment of 2015 interim dividend
21 October	Announcement of Q3 Interim Management Statement

**Dividends and 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	9.30
2014	3 October 2014	4.20	8 May 2015	7.80 <sup>1</sup>	12.00 <sup>2</sup>

<sup>1</sup> Subject to shareholder approval on 30 April 2015.

<sup>2</sup> Includes final dividend, subject to shareholder approval on 30 April 2015.

**Payment of dividends**

We can pay dividends directly into a shareholder's bank account. This ensures secure delivery and means that cleared funds are received on the payment date. For shareholders resident outside the UK we offer dividend payments via Capita's International Payment Service to a number of countries which are paid in local currency. To receive more information or to change your preferred dividend payment method please contact the Company's Registrar, Capita Asset Services.

**Registrar**

All administrative enquiries relating to shareholdings including transfers, dividend payments/reinvestments, lost share certificates, duplicate accounts and amending personal details should be addressed to the Company's Registrar whose details are below.

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

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.

[www.capitaassetservices.com](http://www.capitaassetservices.com)

**Shareholder information online and electronic communications**

For online information such as share price and capital gains tax information please visit the Company's website at [www.ipfin.co.uk](http://www.ipfin.co.uk).

Shareholders are able to access their personal shareholding information by visiting the website [www.myipfshares.com](http://www.myipfshares.com). This also gives shareholders the ability to elect to receive shareholder documents electronically which will save on printing and distribution costs, and create environmental benefits. To register, shareholders will need their investor code (which is printed on correspondence received from Capita). This service will require a user ID and password to be provided on registration.

**ShareGift**

If a shareholder has a 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](http://www.sharegift.org) or telephone 020 7930 3737.

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