International
Personal Finance

Half-yearly Financial Report
for the six months ended 30 June 2011

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Operating and financial highlights

- Controlled growth across all markets, supported by improved economic conditions
  - 8% growth in customers to 2.3 million, 14% growth in credit issued to £406.4 million and 9% growth in average net receivables to £574.3 million
  - Future growth supported by opening of eight new branches and a 7% increase in agents
- Profit before tax* increased 17% to £35.7 million (2010: £30.5 million) as a result of good growth, lower impairment and further improvements in cost efficiency, and after absorbing the impact of higher funding costs and early settlement rebates of £11.4 million
  - Revenue, net of early settlement rebates, increased by 7% to £326.7 million
  - Impairment as a percentage of revenue reduced by 2.0 percentage points to 30.1% of revenue (2010: 32.1%)
  - Cost-income ratio improved by 0.8 percentage points to 41.2%
- Earnings per share* increased by 14% to 10.13 pence (2010: 8.89 pence)
- Interim dividend increased to 3.00 pence per share, up by 19% (2010: 2.53 pence per share)

Chief Executive Officer, John Harnett, commented:

“IPF has a clear strategy to deliver sustained long-term growth and we are delivering on this. Growth in credit issued and customers is good, and has been achieved alongside improvements in both credit quality and the cost-income ratio. The economies of the markets in which we operate are performing strongly. We are confident that we are on course to deliver a good performance for the year as a whole.

However, the risk remains that these markets may be impacted adversely by the difficulties being experienced in other, more established economies, particularly in Europe. As a result, we continue to monitor economic conditions carefully and will maintain a cautious setting on our credit management systems, which we know from previous experience can be adjusted very quickly to respond to adverse changes in economic conditions.”

* From continuing operations excluding an accounting loss on the fair value of derivatives of £4.7 million (2010: profit of £3.5 million) and a pension curtailment gain of £nil (2010: £2.9 million).

This report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Percentage change figures for all performance measures, other than profit 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 2011 in order to present the underlying performance variance.

Summary

The Group has a clear strategy to deliver sustained long-term growth through a combination of further development of our existing markets and investment in new markets. Our key aim for this year, after a period of slower growth as we weathered the global recession, was to accelerate growth against the backdrop of improving economic conditions in all of our markets, and we are pleased that we have delivered on this in the first half of 2011.

This is demonstrated by the growth in customers which have increased year-on-year by 8% to 2.3 million, and credit issued which has increased by 14%. This growth has been driven by further investment in eight new branches, 7% growth in agents and selective easing of credit controls.

Strong growth has been coupled with continued good collections performance, effective credit management and tight cost control. These have positioned the Group to absorb the expected increase in funding costs from last year's refinancing, together with the net impact of higher early settlement rebate ("ESR") costs resulting from the introduction of the Consumer Credit Directive ("CCD"), which combined amounted to £11.4 million, and still deliver a substantial increase in first half profit.

The Group results are shown in the table below:

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**2,288**	2,114	174	8.2	8.2
Credit issued	**406.4**	352.4	54.0	15.3	14.2
Average net receivables	**574.3**	519.5	54.8	10.5	9.2
Revenue	**326.7**	302.7	24.0	7.9	6.8
Impairment	**(98.5)**	(97.3)	(1.2)	(1.2)	(1.0)
	228.2	205.4	22.8	11.1	9.5
Finance costs	**(21.8)**	(14.6)	(7.2)	(49.3)	(51.4)
Agents' commission	**(36.2)**	(33.1)	(3.1)	(9.4)	(6.8)
Other costs	**(134.5)**	(127.2)	(7.3)	(5.7)	(3.9)
Profit before taxation*	**35.7**	30.5	5.2	17.0	

* From continuing operations excluding an accounting loss on the fair value of derivatives of £4.7 million (2010: profit of £3.5 million) and a pension curtailment gain of £nil (2010: £2.9 million).

Alongside growth we also delivered improved credit quality and it was pleasing to see impairment as a percentage of revenue reduce by 2.0 percentage points to 30.1%. This was made possible by our improved collections performance which, in turn, enabled us to selectively ease lending criteria in most markets. And with more customers and a greater proportion of our customer base qualifying for offers of further credit, we were successful in growing credit issued at a stronger rate of 14% during the first half. This is reflected in an increase in average net receivables of 9% across the first half with growth in period end net receivables higher still at 12%. This will further benefit revenue growth in the second half.

As expected, following our refinancing of the business during last year, finance costs have increased by £7.2 million on the first half of 2010. Agents' commission costs, which are largely variable, increased by 7% to £36.2 million in line with growth.

We set ourselves a target last year to improve our cost-income ratio by 5 percentage points over the next five years. During the first half we have made further good progress towards this target. Other costs increased by only 4%, which includes £2 million of additional cost in Mexico to support the new organisational structure, the development of Monterrey and new branches in Puebla and Guadalajara. With revenue growing at a much faster rate, the cost-income ratio in the first half was reduced to 41.2%, an improvement of 0.8 percentage points (2010: 42.0%). This means that the annualised cost-income ratio for the Group has improved from 40.5% at the 2010 year end to 40.1% at June 2011.

Early Settlement Rebates

As previously disclosed, the CCD was passed into EU legislation in 2009 and we increased prices in July 2009 to mitigate the impact of the resultant, expected, increase in the cost of ESRs (ESRs are netted off the revenue line in the income statement). Our estimate was that the price increase would result in an annualised benefit of approximately £20 million, which would then be progressively eroded as our European markets implemented the Directive. So far the CCD has been implemented in all of our European markets except Poland and the consequent impact was a reduction in the annualised benefit of the price rise of approximately £5 million in the second half of 2010 and a further £4 million in the first half of 2011. This has meant that, as expected, first half Group revenue has increased at a rate which is two percentage points lower than average net receivables growth.

Our expectation is that the impact on the second half will be a further erosion in the benefit of the price rise of £6 million, making the total year-on-year impact on the 2011 result approximately £10 million and taking the total cumulative impact to £15 million. However, the 2011 year-on-year impact of £10 million is expected to be lower than the previous guidance of £15 million because implementation of the CCD has been delayed in Poland until December 2011. This also means that there will be a further net increase in ESR costs in 2012 following the implementation in Poland, estimated at approximately £10 million, although the precise impact will depend on the final outcome of the Polish Office of Competition and Consumer Protection's review of our current ESR practices. In total, therefore, we expect the total annualised impact of increased rebates to be £25 million, £5 million higher than the annualised benefit of the 2009 price rise, primarily reflecting an increase in the level of early settlements since CCD implementation.

Segmental results

Profitability in the first half is seasonally lower than the second half because of higher impairment during the first quarter when customer incomes are at their lowest. This has meant that the increase of approximately £11.4 million in interest and net ESR costs had a disproportionate impact on our profit margin, compared with the expected outcome for the year as a whole, and so, in some markets, has offset the underlying profit growth. The following table analyses the impact of higher interest costs on the results of each market, along with the impact of additional ESRs net of the benefit from the July 2009 price increase:

	2011 Reported profit £m	2011 Increased interest £m	2011 ESR impact £m	**2011 Underlying profit £m**	2010 Reported profit £m
Poland	**24.8**	2.8	(3.2)	**24.4**	14.0
Czech-Slovakia	**17.3**	1.8	1.6	**20.7**	20.4
Hungary	**1.7**	1.8	3.9	**7.4**	1.5
Mexico	**(2.1)**	0.4	(0.5)	**(2.2)**	0.7
Romania	**0.5**	0.6	2.2	**3.3**	0.2
UK – central costs	**(6.5)**	-	-	**(6.5)**	(6.3)
Profit before taxation	**35.7**	7.4	4.0	**47.1**	30.5

The key driver of the increase in Group profit in the first half of 2011 has been a strong performance by our Polish business. Profit increased by £10.8 million through a combination of steady growth in customers (increased by 6% to 806,000) and good growth in credit issued (16%), coupled with much reduced impairment and tight cost control. On an annualised basis, impairment has now reduced to 29.5% of revenue and is within our target range of 25% to 30%.

Our business in Czech-Slovakia continues to perform well. However, profit has fallen by £3.1 million compared with the first half of 2010. In part this reflects an additional £3.4 million of interest and ESR costs. Additionally, impairment has now been returned to normal levels compared to the unusually low impairment charge in the first half of 2010. Good growth has been achieved with credit issued up by 13% but customer growth has been slower at just 1%. Our main focus for the second half is the delivery of customer growth at a stronger rate and we have increased our agency force by 4% to support this. Encouragingly, in recent weeks we have seen much stronger customer growth.

Hungary has continued its progress with profit increased to £1.7 million, despite the £5.7 million rise in funding and ESR costs. This was driven by steady growth in customers (8%) and strong growth in credit issued (14%), whilst impairment remains the lowest in the Group at 12.0% of revenue on an annualised basis.

In Mexico we have completed our re-organisation of the field management structure designed to provide greater management supervision and support for our development managers and agents. This has been instrumental in reducing impairment, on an annualised basis, by 4.5 percentage points to 33.6% of revenue compared to June 2010. We paused growth in the second half of last year and for much of the first half of this year whilst we made these changes and this has resulted in subdued growth in receivables and revenue. However, the successful completion of the task enabled a return to growth in the second quarter. So across the first half, customers increased by 12% to 621,000 and credit issued by 10% and this was on an accelerating trend. Successful completion of the re-organisation also supported further investment in our branch infrastructure with the opening of two new branches in the Puebla region and five in the Guadalajara region, and we now operate from 26 and 23 branches in those regions respectively. The additional costs of the new branches and the field structure, plus the full year impact of the three branches opened in Monterrey last year, was £2 million. This, coupled with an increase in interest costs of £0.4 million from last year's debt refinancing and the subdued growth in revenue, means that the Mexican business reported a loss of £2.1 million in the first half compared with a profit of £0.7 million in the first half of 2010. We believe these are worthwhile investments and the business is now well positioned for a stronger performance in the second half of the year.

Our Romanian business continues to perform strongly and, encouragingly, in the wider economy, we are beginning to see signs of improving consumer confidence and a return to economic growth. As a result of this more positive outlook, we opened one new branch in the first half with a second planned for the third quarter. The main features of the first half were an increase in customers of 21% to 226,000, with growth in credit issued up 17%, stable impairment and a substantial reduction in the cost-income ratio of 3.0 percentage points to 44.4%. This has enabled the business to absorb an additional £2.8 million of funding and ESR costs and increase first half profit to £0.5 million (2010: £0.2 million).

Foreign exchange

Changes in foreign exchange rates had no significant impact on the 2011 first half results compared with the previous year. The Group has entered derivative contracts to fix foreign currency rates used to translate approximately 85% of our forecast profits in the second half of 2011. At 30 June 2011, the fair value movement on these contracts was a £4.7 million loss based on marking these contracts to market. This loss will unwind in the second half as contracts mature. Further details are set out in note 13.

Taxation

The taxation charge for the first six months of 2011 has been based on an expected effective tax rate for the full year of 28%.

Dividend

An interim dividend of 3.00 pence per share has been declared, up by 19% (2010: 2.53 pence). The dividend is payable on 7 October 2011 to shareholders on the register at close of business on 9 September 2011. The shares will be marked ex-dividend on 7 September 2011.

Balance sheet and funding

At 30 June 2011 the Group had net assets of £335.5 million (June 2010: £251.2 million) and receivables of £597.2 million, which represents an increase on the prior year of 11.7% (June 2010: £474.0 million). The Group balance sheet has, therefore, continued to strengthen in the first half of 2011 with shareholders' equity as a percentage of receivables increasing to 56.2% (June 2010: 53.0%; December 2010: 54.5%).

Borrowings at the end of June were £287.4 million (June 2010: £281.2 million). This represents a year-on-year reduction (at CER) of £19.1 million reflecting continued strong operational cash flow. Gearing, calculated as borrowings divided by shareholders' equity, has therefore reduced to 0.9 times (30 June 2010: 1.1 times).

Borrowings are supported by a diversified portfolio of debt funding, comprising both bank and bond facilities over predominantly three and five year maturities, with total facilities at 30 June 2011 of £488.1 million. This means that the Group has headroom on these facilities of £200.7 million.

Risks

In Poland, we await the conclusion of the Office of Competition and Consumer Protection's review of the Group's ESR practices. However, as previously noted, our expectation remains that implementation of the CCD will address its concerns. Poland is the last of our European markets to implement the CCD and this will enter into force on 18 December 2011.

The detailed schedule of the Group's risks, and related risk appetite, can be found in note 2.

Strategy

New market entry remains a core element of our long-term strategy. Although we do not intend to commence pilot operations in a new market in 2011, we have broadened our detailed research programme to include Chile, Indonesia, Spain and Turkey. These supplement the markets that we have previously researched in detail, namely Bulgaria, India and Ukraine. We expect to complete our review of new markets and to have determined our next new country by the first quarter of 2012.

Outlook

The economies of the markets in which we operate are performing strongly. However, the risk remains that these markets may be impacted adversely by the difficulties being experienced in other, more established economies, particularly in Europe. As a result, we continue to monitor economic conditions carefully and will maintain a cautious setting on our credit management systems, which we know from previous experience can be adjusted very quickly to respond to adverse changes in economic conditions.

We will continue to manage costs and credit quality carefully and to focus on risk controlled growth in all of our markets during the second half of the year. Our business has performed well in the first half and has good momentum. We are confident of delivering a good performance for the year as a whole.

Review of operations

Poland

Poland is our largest market and has performed very strongly in the first half of 2011, continuing the progressive improvement seen during 2010. During the first half, the Polish business delivered an increase in profit of £10.8 million. The key drivers of this were steady growth in customers (increased by 6% to 806,000) and stronger growth in credit issued (16%), coupled with good collections performance, improved credit quality and tight cost control.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**806**	762	44	5.8	5.8
Credit issued	**157.8**	135.3	22.5	16.6	15.9
Average net receivables	**240.7**	221.7	19.0	8.6	7.9
Revenue	**138.2**	121.2	17.0	14.0	13.3
Impairment	**(47.9)**	(45.7)	(2.2)	(4.8)	(5.0)
	90.3	75.5	14.8	19.6	18.2
Finance costs	**(8.1)**	(6.0)	(2.1)	(35.0)	(35.0)
Agents' commission	**(13.2)**	(12.2)	(1.0)	(8.2)	(7.3)
Other costs	**(44.2)**	(43.3)	(0.9)	(2.1)	(0.7)
Profit before taxation	**24.8**	14.0	10.8	77.1	
Underlying profit	**24.4**	14.0	10.4		

We believe there are significant opportunities for us to grow in the Polish market and so the Polish business has increased its focus on customer growth since the third quarter of 2010. Agents have been increased by over 500 (6%) so far this year to allow this potential to be realised. As a result, we have seen an increase in the rate of customer growth to 6% and customers have returned to over 800,000 for the first time since 2008.

Credit issued grew by 16%, a faster rate than customer growth. This was due to a combination of increased sales opportunities to existing quality customers, largely as a result of the improved collections performance, together with targeted easing of credit rules. As a result, average net receivables increased by 8% year-on-year. Revenue grew at the faster rate of 13%, largely due to the continued positive impact of the increase in service charge that was implemented in the second half of 2009.

Impairment as a percentage of revenue was reduced by 3.0 percentage points from 37.7% to 34.7% due to good credit and collections management, and the absence of the severe weather that negatively impacted collections performance in the first half of 2010. As expected, annualised impairment as a percentage of revenue has reduced from 30.6% at December 2010 to 29.5% and has, therefore, moved back into our target range.

Finance costs have increased by £2.1 million due to higher interest rates partially offset by lower borrowings. Agents' commission costs increased broadly in line with growth in the business and continue to account for around 10% of revenue.

Other costs were tightly managed and grew by less than 1% despite much stronger business growth. As a result, we reduced the cost-income ratio for the first half by 3.7 percentage points from 35.7% to 32.0%.

Czech Republic and Slovakia

Our business in Czech-Slovakia continues to perform well. Underlying profit increased by £0.3 million compared to a very strong first half performance last year which benefited from unusually low levels of impairment. Reported profit reduced by £3.1 million compared with the first half of 2010, reflecting an additional £3.4 million of interest and ESR costs together with a higher level of impairment.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**387**	383	4	1.0	1.0
Credit issued	**97.0**	82.9	14.1	17.0	13.2
Average net receivables	**146.3**	130.4	15.9	12.2	8.1
Revenue	**73.9**	68.2	5.7	8.4	4.4
Impairment	**(18.1)**	(14.0)	(4.1)	(29.3)	(24.8)
	55.8	54.2	1.6	3.0	(0.9)
Finance costs	**(3.3)**	(1.9)	(1.4)	(73.7)	(73.7)
Agents' commission	**(8.0)**	(6.9)	(1.1)	(15.9)	(11.1)
Other costs	**(27.2)**	(25.0)	(2.2)	(8.8)	(1.9)
Profit before taxation	**17.3**	20.4	(3.1)	(15.2)	
Underlying profit	**20.7**	20.4	0.3		

Like our other Central European businesses, an important focus of the Czech-Slovakia operation is controlled growth and we increased agents by 4% to support this. Credit issued was increased strongly in the first half, up by 13%, largely through increased lending to existing customers. However, growth in customers was slower at 1%, although in the final six weeks of the first half increased agent numbers and marketing spend translated into higher rates of growth. A target for the remainder of this year is the delivery of stronger customer growth.

Average net receivables grew by 8% whereas growth in revenue was lower at 4% reflecting a reduction in yield from higher ESRs following the introduction of the CCD.

Credit quality is good and impairment is below the lower end of our 25% to 30% target range, with annualised impairment as a percentage of revenue at 21.9%. However, as planned, impairment has increased as a result of stronger growth and some easing of credit controls, rising for the first half by four percentage points to 24.5% of revenue.

Higher funding costs drove an increase in finance costs which was partially offset by lower borrowing levels. Agents' commission costs have increased in line with the growth in the business. Other costs have increased by 2% reflecting continued tight cost control, allowing a continued improvement in the cost-income ratio.

Hungary

Hungary has continued to perform well with a combination of good growth and excellent credit quality. Underlying profit increased by £5.9 million, compared to last year whilst reported profit increased to £1.7 million (2010: £1.5 million), after a £5.7 million increase in funding and ESR costs.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**248**	229	19	8.3	8.3
Credit issued	**50.8**	44.3	6.5	14.7	14.4
Average net receivables	**72.2**	62.2	10.0	16.1	15.9
Revenue	**38.0**	38.1	(0.1)	(0.3)	(0.5)
Impairment	**(6.9)**	(9.3)	2.4	25.8	24.2
	31.1	28.8	2.3	8.0	6.9
Finance costs	**(4.4)**	(2.6)	(1.8)	(69.2)	(76.0)
Agents' commission	**(6.7)**	(6.1)	(0.6)	(9.8)	(8.1)
Other costs	**(18.3)**	(18.6)	0.3	1.6	3.7
Profit before taxation	**1.7**	1.5	0.2	13.3	
Underlying profit	**7.4**	1.5	5.9		

Following the downsizing implemented in 2009, a key objective is to progressively re-build the business to its previous level of over 300,000 customers. We are making steady progress towards this objective with customers increased by 19,000 (8%) compared with June 2010. This growth, combined with a careful easing of credit controls, has supported growth in credit issued at a faster rate of 14% and this resulted in an increase in average net receivables of 16%.

In common with other markets that have implemented the CCD, higher ESRs have had an adverse impact on revenue growth. However, the impact in Hungary of £3.9 million is proportionately higher than the other markets because of a higher incidence of customer early settlement. This reflects the unusually high quality customer portfolio in Hungary and we believe that this will reduce as the business returns to its former scale and as impairment levels normalise.

Despite some easing of credit settings, credit quality and collections continue to be excellent. As a result impairment as a percentage of revenue reduced to 18.2% (2010: 24.4%) and annualised impairment as a percentage of revenue was 12.0%, well below our target range of 25% to 30%.

Finance costs have increased due to higher funding margins; whilst agents' commission has increased in line with growth in the business. Other costs have reduced by 4% compared with the first half of 2010.

Mexico

Good progress was made in Mexico. During the second half of last year we reduced growth and paused geographic expansion whilst we implemented a new field management structure designed to reduce spans of control and improve management supervision for our development managers and agents. We have now successfully embedded this new structure.

The reduced growth in customers and receivables in the second half of last year and much of the first quarter of this year have resulted in revenue being relatively flat compared to the first half of last year. This, combined with additional costs amounting to £2.4 million from the new operations management structure, new branches and expansion of the Monterrey region, and additional interest costs from last year's debt refinancing have turned a small (£0.7 million) profit for the first half of last year into a £2.1 million loss for the first half of this year. Nonetheless, we believe this is a worthwhile investment which creates a sound platform for future growth.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**621**	553	68	12.3	12.3
Credit issued	**60.0**	54.5	5.5	10.1	10.1
Average net receivables	**66.5**	64.9	1.6	2.5	2.0
Revenue	**50.5**	50.3	0.2	0.4	0.4
Impairment	**(17.3)**	(20.1)	2.8	13.9	14.4
	33.2	30.2	3.0	9.9	10.3
Finance costs	**(3.7)**	(2.4)	(1.3)	(54.2)	(54.2)
Agents' commission	**(5.6)**	(5.5)	(0.1)	(1.8)	3.4
Other costs	**(26.0)**	(21.6)	(4.4)	(20.4)	(22.6)
(Loss)/profit before taxation	**(2.1)**	0.7	(2.8)	(400.0)	
Underlying (loss)/profit	**(2.2)**	0.7	(2.9)		

Customers increased by 12% year-on-year to a total of 621,000 at the end of June, and growth in credit issued was 10%. This growth was skewed towards the second quarter and, as a result of this second quarter bias, average net receivables increased more slowly by only 2% and revenue was broadly similar to last year. The full benefit of this growth will be felt in the second half.

Collections performance was improved substantially because of the improved supervision provided by the new field management structure and this resulted in a reduction in first half impairment as a percentage of revenue from 39.9% to 34.3%. Annualised impairment has also improved by 4.5 percentage points to 33.6%.

Finance costs increased due to a combination of higher margins following the debt refinancing and higher levels of borrowing. Agents' commission costs have remained relatively stable, in line with revenue.

The additional costs of the new branches and field restructure, plus the year-on-year impact of the three branches opened in Monterrey last year, was £2 million. This resulted in an increase in other costs of 23%.

The (loss)/profit before taxation is analysed by region as follows:

	2011 £m	2010 £m	Change £m	Change %
Puebla region	**1.8**	2.7	(0.9)	(33.3)
Guadalajara region	**1.9**	2.6	(0.7)	(26.9)
Monterrey region	**(1.0)**	(0.5)	(0.5)	(100.0)
Central costs	**(4.8)**	(4.1)	(0.7)	(17.1)
(Loss)/profit before taxation	**(2.1)**	0.7	(2.8)	(400.0)

Romania

Our Romanian business performed well in the first half of 2011 increasing profit to £0.5 million (2010: £0.2 million), despite an additional £2.8 million of funding and ESR costs. Consumer confidence has improved and the local economy has started to grow; and as a result we have recommenced geographical expansion by opening a new branch, with a second planned for the third quarter. We have also increased agents by 15% in order to support our planned growth.

	2011 £m	2010 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**226**	187	39	20.9	20.9
Credit issued	**40.8**	35.4	5.4	15.3	16.6
Average net receivables	**48.6**	40.3	8.3	20.6	22.1
Revenue	**26.1**	24.9	1.2	4.8	6.1
Impairment	**(8.3)**	(8.2)	(0.1)	(1.2)	(2.5)
	17.8	16.7	1.1	6.6	7.9
Finance costs	**(3.0)**	(2.3)	(0.7)	(30.4)	(36.4)
Agents' commission	**(2.7)**	(2.4)	(0.3)	(12.5)	(12.5)
Other costs	**(11.6)**	(11.8)	0.2	1.7	1.7
Profit before taxation	**0.5**	0.2	0.3	150.0	
Underlying profit	**3.3**	0.2	3.1		

We have grown customers 21% year-on-year to 226,000, with credit issued growth of 17%. As a result, average net receivables grew by 22%. Revenue grew at the lower rate of 6% due to the impact of higher ESRs.

Alongside growth, credit quality has been improved and impairment as a percentage of revenue has fallen in the first half of the year from 32.9% to 31.8%; whilst annualised impairment as a percentage of revenue has improved to 34.0%.

Finance costs have increased due to higher funding margins and agents' commission costs have increased in line with collections. Other costs are 2% lower than last year despite the increased scale of the business, and this has resulted in an improvement in the cost-income ratio from 47.4% to 44.4%.

International Personal Finance plc
Condensed consolidated interim financial information for the six months ended 30 June 2011

Consolidated income statement

	Notes	**Unaudited Six months ended 30 June 2011 £m**	Unaudited Six months ended 30 June 2010 £m	Audited Year ended 31 December 2010 £m
Revenue	4	**326.7**	302.7	608.7
Impairment	4	**(98.5)**	(97.3)	(168.1)
Revenue less impairment		**228.2**	205.4	440.6
Finance costs		**(21.8)**	(14.6)	(40.7)
Other operating costs		**(55.5)**	(39.7)	(93.7)
Administrative expenses		**(119.9)**	(114.2)	(218.0)
Total costs		**(197.2)**	(168.5)	(352.4)
Profit before taxation	4	**31.0**	36.9	88.2
Profit before taxation, exceptional items and fair value adjustments		**35.7**	30.5	92.1
Exceptional items		**-**	2.9	(3.9)
Fair value adjustments	13	**(4.7)**	3.5	-
Profit before taxation	4	**31.0**	36.9	88.2
Tax expense – UK		**-**	-	0.1
– Overseas		**(8.7)**	(9.6)	(29.1)
Total tax expense	5	**(8.7)**	(9.6)	(29.0)
Profit after taxation attributable to equity shareholders		**22.3**	27.3	59.2

Earnings per share

	Notes	**Unaudited Six months ended 30 June 2011 pence**	Unaudited Six months ended 30 June 2010 pence	Audited Year ended 31 December 2010 pence
Basic	6	**8.79**	10.76	23.34
Diluted	6	**8.69**	10.65	23.09

Earnings per share before exceptional items and fair value adjustments

	Notes	**Unaudited Six months ended 30 June 2011 pence**	Unaudited Six months ended 30 June 2010 pence	Audited Year ended 31 December 2010 pence
Basic	6	**10.13**	8.89	24.57
Diluted	6	**10.03**	8.78	24.32

Dividend per share

	Notes	**Unaudited Six months ended 30 June 2011 pence**	Unaudited Six months ended 30 June 2010 pence	Audited Year ended 31 December 2010 pence
Interim dividend	7	**3.00**	2.53	2.53
Final dividend	7	**-**	-	3.74
Total dividend		**3.00**	2.53	6.27

Dividends paid

	Notes	**Unaudited Six months ended 30 June 2011 £m**	Unaudited Six months ended 30 June 2010 £m	Audited Year ended 31 December 2010 £m
Interim dividend of 3.00 pence (2010: 2.53 pence) per share	7	**-**	-	6.5
Final dividend of 3.74 pence (2010: 3.40 pence) per share	7	**9.5**	8.6	8.6
Total dividends paid		**9.5**	8.6	15.1

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m	Audited Year ended 31 December 2010 £m
Profit after taxation attributable to equity shareholders	**22.3**	27.3	59.2
Other comprehensive income:			
Exchange gains/(losses) on foreign currency translations (see note 12)	**12.7**	(27.8)	0.7
Net fair value (losses)/gains – cash flow hedges	**(3.1)**	1.1	4.1
Actuarial gains/(losses) on retirement benefit obligation	**1.1**	(1.9)	0.8
Tax credit/(charge) on items taken directly to equity	**0.2**	0.2	(2.2)
Other comprehensive income/(expense), net of taxation	**10.9**	(28.4)	3.4
Total comprehensive income/(expense) for the period attributable to equity shareholders	**33.2**	(1.1)	62.6

The notes to the condensed consolidated financial information form an integral part of this consolidated interim financial information.

Consolidated balance sheet

	Notes	**Unaudited 30 June 2011 £m**	Unaudited 30 June 2010 £m	Audited 31 December 2010 £m
Assets				
Non-current assets				
Intangible assets		**4.5**	9.2	6.8
Property, plant and equipment	8	**35.6**	34.9	35.7
Deferred tax assets		**50.3**	42.6	48.5
		90.4	86.7	91.0
Current assets				
Amounts receivable from customers				
- due within one year		**587.9**	466.3	558.8
- due in more than one year		**9.3**	7.7	8.1
	9	**597.2**	474.0	566.9
Derivative financial instruments		**-**	4.2	-
Cash and cash equivalents		**26.1**	29.9	23.5
Trade and other receivables		**25.8**	16.9	21.3
		649.1	525.0	611.7
Total assets		**739.5**	611.7	702.7
Liabilities				
Current liabilities				
Bank borrowings	10	**(20.2)**	(19.1)	(19.5)
Derivative financial instruments		**(11.2)**	(7.8)	(4.5)
Trade and other payables		**(81.8)**	(48.9)	(55.9)
Current tax liabilities		**(22.2)**	(16.6)	(25.7)
		(135.4)	(92.4)	(105.6)
Non-current liabilities				
Retirement benefit obligation	11	**(1.4)**	(6.0)	(3.3)
Bank borrowings	10	**(267.2)**	(262.1)	(284.8)
		(268.6)	(268.1)	(288.1)
Total liabilities		**(404.0)**	(360.5)	(393.7)
Net assets		**335.5**	251.2	309.0
Shareholders' equity				
Called-up share capital		**25.7**	25.7	25.7
Other reserves		**21.4**	(18.7)	11.3
Retained earnings		**288.4**	244.2	272.0
Total equity		**335.5**	251.2	309.0

The notes to the condensed consolidated financial information form an integral part of this consolidated interim financial information.

Consolidated statement of changes in shareholders' equity for the six months ended 30 June 2011

	Unaudited				
	Called-up share capital £m	Other reserve £m	Other reserves* £m	Retained earnings £m	Total £m
Balance at 1 January 2010	**25.7**	**(22.5)**	**30.8**	**225.8**	**259.8**
Comprehensive income:					
Profit after taxation for the period	-	-	-	27.3	27.3
Other comprehensive income:					
Exchange losses on foreign currency translations	-	-	(27.8)	-	(27.8)
Net fair value gains – cash flow hedges	-	-	1.1	-	1.1
Actuarial losses on retirement benefit obligation	-	-	-	(1.9)	(1.9)
Tax (charge)/credit on items taken directly to equity	-	-	(0.3)	0.5	0.2
Total other comprehensive expense	-	-	(27.0)	(1.4)	(28.4)
Total comprehensive (expense)/income for the period	-	-	(27.0)	25.9	(1.1)
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	1.1	1.1
Dividends paid to Company shareholders	-	-	-	(8.6)	(8.6)
Balance at 30 June 2010	**25.7**	**(22.5)**	**3.8**	**244.2**	**251.2**
Balance at 1 July 2010	**25.7**	**(22.5)**	**3.8**	**244.2**	**251.2**
Comprehensive income:					
Profit after taxation for the period	-	-	-	31.9	31.9
Other comprehensive income:					
Exchange gains on foreign currency translation	-	-	28.5	-	28.5
Net fair value gains – cash flow hedges	-	-	3.0	-	3.0
Actuarial gains on retirement benefit obligation	-	-	-	2.7	2.7
Tax charge on items taken directly to equity	-	-	(1.5)	(0.9)	(2.4)
Total other comprehensive income	-	-	30.0	1.8	31.8
Total comprehensive income for the period	-	-	30.0	33.7	63.7
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	0.6	0.6
Dividends paid to Company shareholders	-	-	-	(6.5)	(6.5)
Balance at 31 December 2010	**25.7**	**(22.5)**	**33.8**	**272.0**	**309.0**

* Includes foreign exchange reserve, hedging reserve and amounts paid to acquire shares by employee trust.

Consolidated statement of changes in shareholders' equity for the six months ended 30 June 2011 (continued)

	Unaudited				
	Called-up share capital £m	Other reserve £m	Other reserves* £m	Retained earnings £m	Total £m
Balance at 1 January 2011	**25.7**	**(22.5)**	**33.8**	**272.0**	**309.0**
Comprehensive income:					
Profit after taxation for the period	-	-	-	22.3	22.3
Other comprehensive income:					
Exchange gains on foreign currency translation (see note 12)	-	-	12.7	-	12.7
Net fair value losses – cash flow hedges	-	-	(3.1)	-	(3.1)
Actuarial gains on retirement benefit obligation	-	-	-	1.1	1.1
Tax credit/(charge) on items taken directly to equity	-	-	0.5	(0.3)	0.2
Total other comprehensive income	-	-	10.1	0.8	10.9
Total comprehensive income for the period	-	-	10.1	23.1	33.2
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	2.8	2.8
Dividends paid to Company shareholders	-	-	-	(9.5)	(9.5)
Balance at 30 June 2011	**25.7**	**(22.5)**	**43.9**	**288.4**	**335.5**

* Includes foreign exchange reserve, hedging reserve and amounts paid to acquire shares by employee trust.

The notes to the condensed consolidated financial information form an integral part of this consolidated interim financial information.

Consolidated statement of cash flows

	Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m	Audited Year ended 31 December 2010 £m
Cash flows from operating activities			
Cash generated from operations	**58.4**	67.2	97.3
Established markets	**60.0**	58.3	93.8
Developing markets	**(1.6)**	8.9	3.5
	58.4	67.2	97.3
Interest paid	**(9.9)**	(14.6)	(35.7)
Income tax paid	**(12.3)**	(8.9)	(22.6)
Net cash generated from operating activities	**36.2**	43.7	39.0
Cash flows from investing activities			
Purchases of property, plant and equipment	**(6.1)**	(4.8)	(10.6)
Proceeds from sale of property, plant and equipment	**2.0**	0.8	2.9
Purchases of intangible assets	**(0.2)**	(0.3)	(0.5)
Net cash used in investing activities	**(4.3)**	(4.3)	(8.2)
Net cash from operating and investing activities			
Established markets	**37.1**	35.7	42.5
Developing markets	**(5.2)**	3.7	(11.7)
	31.9	39.4	30.8
Cash flows from financing activities			
Proceeds from borrowings	**7.6**	-	275.6
Repayment of borrowings	**(28.3)**	(30.0)	(298.5)
Dividends paid to Company shareholders	**(9.5)**	(8.6)	(15.1)
Net cash used in financing activities	**(30.2)**	(38.6)	(38.0)
Net increase/(decrease) in cash and cash equivalents	**1.7**	0.8	(7.2)
Cash and cash equivalents at the start of the period	**23.5**	31.2	31.2
Exchange gains/(losses) on cash and cash equivalents	**0.9**	(2.1)	(0.5)
Cash and cash equivalents at the end of the period	**26.1**	29.9	23.5

Established markets: Poland, Czech-Slovakia, Hungary and UK central costs.
Developing markets: Mexico and Romania.

Reconciliation of profit after taxation to cash flows

	Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m	Audited Year ended 31 December 2010 £m
Profit after taxation	**22.3**	27.3	59.2
Adjusted for:			
Tax expense	**8.7**	9.6	29.0
Finance costs	**21.8**	14.6	40.7
Share-based payment charge	**1.0**	1.1	1.7
Pension charge	**0.1**	0.2	(2.7)
Depreciation of property, plant and equipment	**5.2**	5.8	11.4
Profit on sale of property, plant and equipment	**-**	-	(0.3)
Amortisation of intangible assets	**2.5**	2.5	5.1
Changes in operating assets and liabilities:			
Amounts receivable from customers	**(14.3)**	9.1	(36.6)
Trade and other receivables	**(2.9)**	(6.3)	(5.3)
Trade and other payables	**11.1**	10.2	(4.9)
Retirement benefit obligation	**(0.7)**	(3.7)	(0.7)
Derivative financial instruments	**3.6**	(3.2)	0.7
Cash generated from operations	**58.4**	67.2	97.3

The notes to the condensed consolidated financial information form an integral part of this consolidated interim financial information.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union. This condensed consolidated interim financial information should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). This condensed consolidated interim financial information was approved for release on 20 July 2011.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the year ended 31 December 2010 (the Financial Statements) were approved by the board on 2 March 2011 and delivered to the Registrar of Companies. The Financial Statements contained an unqualified audit report and did not include an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006. The Financial Statements are available on the Group's website (www.ipfin.co.uk).

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

Deloitte LLP were appointed as the Company's auditor at the annual general meeting held on 11 May 2011, replacing PricewaterhouseCoopers LLP. This condensed consolidated interim financial information has been reviewed by the Group's auditors Deloitte LLP but has not been audited.

Except as described below, the accounting policies adopted in this interim condensed consolidated financial information are consistent with those adopted in the Financial Statements for the year ended 31 December 2010. The accounting polices are detailed in those Financial Statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but do not have any impact on the Group:

- Amendment to IFRS 1 (January 2010), 'Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters';
- IAS 24 (revised November 2009) 'Related Party Disclosures';
- Amendment to IAS 32 (October 2009) 'Classification of Rights Issues';
- Improvements to IFRSs 2010 (May 2010);
- Amendments to IFRIC 14 (November 2009) 'Prepayments of a Minimum Funding Requirement'; and
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

2. Principal risks

In accordance with the Disclosure and Transparency Rules, a description of the principal risks (and the mitigating factors in place in respect of these) is included below. The directors believe that the Group's principal risks have not changed since the publication of the Annual Report and Financial Statements 2010.

Strategic risk	Risk appetite statement	Mitigation
Growth Our aim is to deliver value to shareholders through rapid, sustainable growth. There is a risk that we fail to deliver targeted levels of growth or that we grow too rapidly, creating unacceptably high levels of credit, operational or funding risk.	We will optimise sustainable growth in shareholder value without breaching our stated levels of credit, operating and funding risks.	We comply with the following areas to ensure this risk is kept within appetite: - credit risk; - operating risk; and - funding risk.
Concentration risk We have a competitive advantage in the provision of home credit and, accordingly, our strategy is to concentrate on expansion through this single product. This concentration increases exposure to adverse regulatory or competitive threats.	We accept the heightened risk of a single product strategy because of the superior returns this affords.	We periodically review options to enhance the customer offering through the provision of other products and services which may appeal to our customers and are complementary to our home credit offer.
Economic risk The condition of the economies in which we operate and the implications of this for our customers will have an impact on our business performance. Customers' ability to repay loans will be affected by events, such as unemployment or under-employment which impact household incomes. Reduced demand, reduced revenue and increased impairment may result.	We accept the risk that economic conditions in the markets in which we operate may change and this will impact our performance.	We have a resilient business model because our loan book is short term; on average just five months repayments are outstanding, which means we can quickly change the risk-return profile of our lending. In addition, our credit management and impairment systems, together with close customer relationships, allow us to detect and respond rapidly to changes in customer circumstances and payment performance.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Reputation / Regulation risk We operate in emerging markets in which the legal and regulatory regimes can be subject to rapid and significant change. This presents a potential risk to the operation of the business, potentially resulting in reductions in profit, fines or the withdrawal of operating licences. Specific risks include: - changes to the regulation of credit or the sale of credit by intermediaries or other laws that may impact the operation of the business and / or result in higher costs; and - controls on the level or structure of charges for interest, agent service or other services that may impact the operation of the business or its level of profit. In addition, our reputation may be adversely affected by ill-informed comment or malpractice which in turn may damage our brand and reduce customer demand.	We will always aim to comply with all relevant regulations but accept that the regulatory environment within which we operate is beyond our direct control and that changes in regulation may have a material impact on the business and its profitability. It is possible that regulation of consumer lending could lead to the removal of a licence to trade in one or more markets.	We actively operate Treating Customers Fairly principles in all markets to protect our brand and reputation. We operate a legal and regulatory governance regime which monitors compliance with all relevant regulations and escalates to the Board, for action, any areas of concern. We foster open relationships with regulatory bodies and monitor closely developments in all our markets, and in respect of the EU as a whole. We have well established and experienced corporate affairs teams in all our markets. We work proactively with opinion formers to ensure the business is well understood. This is facilitated by membership of the British Chamber of Commerce and / or relevant local trade bodies, and Eurofinas in Brussels. We have an international legal committee to oversee legal risks across the Group. We have an effective corporate responsibility programme in place. We have clear operating guidelines and policies to ensure consistency and compliance with our values. We pursue an active communications programme that aims to foster a good understanding of the Company.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Competition risk Increased competition may reduce our market share, leading to increased costs of customer acquisition and retention and reduced credit issued, lower revenue and lower profitability.	We accept the risk that increased competition may reduce our market share. In new markets we conduct detailed research to identify those segments in a particular market we would look to serve, the current level of competition and the extent of our potential competitive advantage.	Our distinctive operating model and high levels of personal service engender high levels of customer satisfaction and retention. Market research is regularly undertaken to monitor satisfaction levels, identify usage of other financial products and monitor competitor activity. We look to continuously improve the service we offer to customers.
Credit risk Credit risk is intrinsic in consumer lending and represents the risk that customers fail to repay part or all of a loan as they fall due, leading to levels of impairment that are too high in relation to the charges made. There is always a trade-off between sales growth and credit risk and there is a business risk that credit controls are inappropriately positioned leading to a sub-optimal level of profitability. In setting credit controls and establishing this trade-off, we believe that an impairment level of over 30% destroys customer lifetime value as a result of higher customer turnover and, in turn, this leads to high staff and agent turnover as a result of the level of arrears work required. Conversely, we believe that an impairment level below 25% indicates that we are rejecting profitable lending opportunities that would increase lifetime value.	We will target annual Group impairment as a percentage of revenue of between 25% and 30%.	We have effective credit management systems and rules in place for evaluating and controlling the risk from lending to new and existing customers, which are managed at branch level. This is supplemented by the weekly contact between our agents and customers allowing a regular assessment of credit risk. Performance is monitored against benchmarks set for each product term and loan sequence. Our agents are incentivised primarily to collect rather than lend, thereby ensuring they focus on responsible lending. We have credit exception reporting in place to report and follow up on all loans issued outside the criteria defined within our application and behavioural scoring systems. Group and country level credit committees review credit controls at country and branch level each month allowing rapid response to the changing market conditions.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Funding and liquidity risk We fund our activities and growth through a combination of equity capital, retained earnings and bank and bond debt funding. There is a risk that sufficient funding may not be available to support our business plan, and that there may be insufficient funding in the currencies in which we lend or that it is not available at an economic price. This is particularly relevant following the significant reduction in the general availability of bank and capital markets funding. A specific risk is that a breach of banking covenant may trigger a withdrawal of part or all of our debt facilities and, at extremes, this may lead to the going concern status of the business being called into question.	We will aim to maintain a capital structure (equity and debt) that provides, under a stressed scenario, sufficient committed funding facilities to cover forecast borrowings plus operational headroom for the next 18 months on a rolling basis, and ensures there is no reasonable likelihood of a covenant breach or rating downgrade.	The business is well capitalised with equity to receivables of 56%. At 30 June 2011 there was headroom of £200.7 million on £488.1 million of bonds, and syndicated and bilateral banking facilities. Our banking facilities are committed until November 2013 and bond funding matures in 2015. We have committed funding sufficient for our business plan until November 2013. A Group Treasury Governance Structure is in place to ensure that adherence to Group policies is measured, monitored and managed on a monthly basis.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Operating risk – general Our ambition is to grow rapidly and to expand our business into new, emerging markets. There is a risk that our model would not be scalable if we were to fail to apply our business model consistently or if there was a systematic breakdown of the operating procedures, processes, systems or controls that underpin the model.	We accept that expanding our business creates additional risk of operational underperformance. We will not accept any persistent or significant variations to our standard operating model for factors other than local legal requirements. We will not accept Best Practice Guide (our measurement of compliance with the standard operating model) scores less than 95%.	We have defined our standard operating model and set this out in our Best Practice Guide, which all our markets have implemented. We only implement significant business change initiatives following a proven and approved champion/challenger business case and pilot. We ensure that new branch or interview room openings are made using staff with a minimum of six months' relevant experience. We operate a risk-based internal audit programme. We operate a Risk Management Framework designed to ensure all key risks are identified, measured, monitored and appropriately mitigated.
Operating risk – accuracy and appropriate reporting The integrity of our control and information systems requires that the financial position of the business is known accurately and in a timely fashion. There is a risk that we do not have systems, controls and processes which ensure this can be delivered.	We aim to design and operate performance reporting and financial control systems where there is no material risk from failures of internal systems and controls.	We will only implement significant changes to controls or processes following a proven and approved business case and pilot. We have an internal control framework and associated assurance mechanisms to ensure the on-going systems, controls and processes are operating as required. All changes to products, pricing and the accounting polices for receivables are matters reserved to the Board.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Operating risk – people (i) Safety We operate a model which involves a high degree of customer contact at the homes of our customers. In common with other groups of 'lone workers' there are risks of personal accident or assault associated with such home contact.	We will take all reasonably practicable steps to mitigate risks to all employees and agents in the operation of their duties. We will not tolerate any material breaches of relevant Health and Safety legislation.	We continually seek to improve our processes to ensure high standards of safety. Our Health and Safety Governance Structure ensures that policies and procedures are in place to foster compliance with all relevant legislation and ensure that all reasonably practicable steps are taken to mitigate risks to all employees and agents in the operation of their duties.
(ii) Availability We operate within a sector of the market in which there are few other players of a significant size, limiting the size of the recruitment market for key staff. In addition, we are seeking high levels of growth in existing and new markets. These factors combine to present the risk of a shortage of personnel of appropriate skills and knowledge to successfully implement the Group strategy.	We will aim to have sufficient depth of personnel able to implement the strategy of the Group but will only grow the business at a rate consistent with the skills availability and experience of personnel.	We have a formal talent development programme aimed at delivering sufficient high-quality managers to meet future plans. A learning and development framework has also been implemented. We aim to have approved succession plans for all senior management positions. We aim to have a minimum of two named Country Managers and Operations Directors in waiting.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Operating risk – service disruption We operate a business which is highly dependent upon its IT systems and business processes in the delivery of an excellent service. There is a risk that the failure of these systems and processes may impact the overall customer experience resulting in lost business opportunities, specifically: - day-to-day operations disrupted in the event of damage to, or interruption or failure of, information, credit appraisal and communication systems; - failure to provide quality service to customers and loss of data; and - disruption of activities increasing costs or reducing potential net revenues.	We will not accept any material risk of the permanent destruction or loss of the books and records (including customer data) of the business. We will aim to manage the losses arising from the risk of disruption to business activities to be no more than 10% of the expected pre-tax profit for any year.	Robust business continuity processes, procedures and a reporting framework are in place in all markets to enable us to continue trading and to recover full functionality as soon as practicable in the event of such an occurrence. These are regularly tested and reviewed. Strategies are revised where necessary. We perform a Business Impact Assessment every two years in each of our markets. There is continuous investment in the development of IT platforms.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Business development risk – change management We aim to continuously improve our business performance. This involves change to systems, processes, reward systems and people. Through implementing change there is a risk that planned benefits are not realised or there are unintended consequences.	We accept that continuous change and improvement carries risk but only to the extent that changes are not tested and evaluated on a pilot basis before deployment.	We have a test and learn approach and all significant change is subject to user acceptance testing and pilot evaluation before deployment. We have a clear strategy for the development of revisions to IT systems and operational processes. Standard project management methodology is applied across the Group.
New markets risk Our strategy includes entry into new markets that offer good, profitable growth potential. There is a risk that we choose the wrong market or enter it at the wrong time.	We accept that new market entry carries the risk of failure that cannot be fully mitigated by research and careful preparation. We will limit the impact of failure on the income statement such that the annual operating costs of new market pilots, together with the estimated cost of the closure and write down of all new market pilots, will be no more than 20% of annual pre-tax profit.	A report is made for Board approval in respect of all potential new countries based on our new market entry criteria. We assess the potential to enter a new country in accordance with our seven entry tests. Progression from a pilot to a roll-out phase will only be authorised by the Board following a period of a successful pilot and formal review.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Currency and matching risk We operate in markets which use different currencies from that in which we report our results, presenting a foreign exchange risk.	All our earnings are denominated in foreign currency. We fully accept the risk that over the long term the translated value of these earnings may rise or fall and so change the reported value of the future prospects of the business and its market capitalisation. The majority of net assets underpinning the nominal value of our equity are denominated in foreign currency. We fully accept the risk that the translated value of these may rise or fall leading to changes in the nominal value of our equity. We will not accept any material portion of our receivables book to be debt funded in any currency other than the local currency without full hedging in place. We will not enter into any speculative derivative contracts.	In the short term, we manage the risk that changes in exchange rates could have a material impact on market expectations by hedging at least two-thirds of forecast profits within each current financial year. We have a Group Treasury Governance Structure in place to ensure that adherence to Group policies is measured, monitored and managed on a monthly basis. No loans are issued in a currency other than the functional currency of the relevant market. Funds are borrowed in, or swapped into, the same local currencies as net customer receivables so far as possible.
Typically, the service charge on our lending is fixed at the time a loan is granted and there is a risk that during the life of a loan the costs of providing and managing it increase and, therefore, impact profit margins.	We fix interest costs so that the cost is matched with the revenue generated on the related receivables book.	We will hedge at least 75% of known interest costs on borrowings in each currency to be incurred in the next 12 months.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Tax risk We operate in emerging markets in which the taxation regimes can be subject to significant and rapid change. This presents the risk that the taxation charge in the Financial Statements does not reflect the ultimate tax cost incurred by the Group.	We aim to comply with all relevant tax regulations. Nonetheless, we accept the risk that the position taken by the Group in relation to the taxation treatment of certain transactions may be subject to a challenge and that a decision against the Group may materially impact the taxation charge in the Financial Statements in any one year. However, we will aim to carry sufficient provisions to reflect the reasonable probability of any adverse outcomes and, additionally, to provide comfort that such adverse outcomes would not trigger a breach of bank covenants.	A tax committee is in place to monitor tax risks across the Group. External professional advice for all material transactions is taken and supported by strong internal tax experts both in-country and in the UK. Where possible, tax treatments are agreed in advance with relevant authorities. We maintain a tax provision reflecting the expected risk-weighted impact of significant open or disputed tax items. Tax risks are reviewed every six months by the Group's auditors and the Audit and Risk Committee. We do not recognise a deferred tax asset for start-up losses on a pilot operation unless and until the pilot moves to the roll-out phase. A stress test analysis is performed to ensure that any potential tax risks, for which there is no provision, will not result in a covenant breach.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Strategic risk	Risk appetite statement	Mitigation
Counterparty Failure – Banks We have cash balances in the accounts of banks in all of our countries of operation, to ensure sufficient cash availability to fund the short-term operation of the business. This presents a counterparty risk in terms of the institutions used.	We will implement policies aimed at avoiding exposure to any counterparty where the failure of that counterparty would impact pre-tax profit by 10% or more.	We have a Group Treasury Governance Structure in place to ensure that adherence to Group policies is measured, monitored and managed on a monthly basis. Cash is generally held with A2 or higher rated financial institutions. Institutions with lower credit ratings can only be used with full Board approval.
Counterparty Failure – Other We enter into arrangements with organisations over a medium term to provide services for certain core elements of the business, presenting a counterparty risk in terms of the failure of the organisation used. There is the risk that business failure of a counterparty, such as an IT services provider, could cause significant disruption or impact on our ability to operate.	We will implement procedures aimed at preventing us from entering into any long-term or material contract where the failure of the counterparty would impact the income statement by 10% or more of annual pre-tax profit, unless there is no reasonable alternative.	There are regular risk assessments of other key counterparties. We ensure there is Board approval of material medium-term contracts.

3. Related parties

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

4. Segmental information

Geographical segments

	Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m	Audited Year ended 31 December 2010 £m
Revenue			
Poland	**138.2**	121.2	245.3
Czech-Slovakia	**73.9**	68.2	137.7
Hungary	**38.0**	38.1	74.0
Mexico	**50.5**	50.3	101.2
Romania	**26.1**	24.9	50.5
	326.7	302.7	608.7
Impairment			
Poland	**47.9**	45.7	75.1
Czech-Slovakia	**18.1**	14.0	27.3
Hungary	**6.9**	9.3	11.3
Mexico	**17.3**	20.1	36.9
Romania	**8.3**	8.2	17.5
	98.5	97.3	168.1
Profit before taxation			
Poland	**24.8**	14.0	49.0
Czech-Slovakia	**17.3**	20.4	41.7
Hungary	**1.7**	1.5	9.1
UK – central costs[1]	**(6.5)**	(6.3)	(12.9)
Established markets	**37.3**	29.6	86.9
Mexico	**(2.1)**	0.7	3.5
Romania	**0.5**	0.2	1.7
Developing markets	**(1.6)**	0.9	5.2
Profit before taxation, exceptional items and fair value adjustments	**35.7**	30.5	92.1
Exceptional items[1]	**-**	2.9	(3.9)
Fair value adjustments[1]	**(4.7)**	3.5	-
Profit before taxation	**31.0**	36.9	88.2

[1] Although the UK central costs, exceptional items and the fair value adjustments 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.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

4. Segmental information (continued)

Total assets	Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m	Audited Year ended 31 December 2010 £m
Poland	**280.2**	221.4	269.1
Czech-Slovakia	**183.7**	149.5	169.3
Hungary	**94.0**	73.0	87.4
UK[2]	**26.1**	32.5	28.6
Mexico	**95.7**	84.4	92.1
Romania	**59.8**	50.9	56.2
Consolidated total assets	**739.5**	611.7	702.7

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. IFRS key statistics information analysed by market is available on the Group's website (http://www.ipfin.co.uk/investors/financials/key-performance-statistics.aspx).

5. Tax expense

The tax expense for the period has been calculated by applying the directors' best estimate of the effective tax rate for the year, which is 28.0% (30 June 2010: 26.0%, 31 December 2010: 33.0%) to the profit for the period.

6. Earnings per share

	Unaudited Six months ended 30 June 2011 pence	Unaudited Six months ended 30 June 2010 pence	Audited Year ended 31 December 2010 pence
Basic EPS	**8.79**	10.76	23.34
Dilutive effect of options	**(0.10)**	(0.11)	(0.25)
Diluted EPS	**8.69**	10.65	23.09

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

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

6. Earnings per share (continued)

Earnings per share before exceptional items and fair value adjustments

	Unaudited Six months ended 30 June 2011 pence	Unaudited Six months ended 30 June 2010 pence	Audited Year ended 31 December 2010 pence
Basic EPS	**10.13**	8.89	24.57
Dilutive effect of options	**(0.10)**	(0.11)	(0.25)
Diluted EPS	**10.03**	8.78	24.32

Basic EPS analysed as:	**Unaudited Six months ended 30 June 2011 pence**	Unaudited Six months ended 30 June 2010 pence	Audited Year Ended 31 December 2010 pence
Poland	**7.04**	4.10	13.07
Czech-Slovakia	**4.91**	5.94	11.11
Hungary	**0.47**	0.43	2.42
Central Europe	**12.42**	10.47	26.60
UK central costs	**(1.85)**	(1.84)	(3.43)
Established markets	**10.57**	8.63	23.17
Mexico	**(0.59)**	0.20	0.95
Romania	**0.15**	0.06	0.45
EPS before exceptional items and fair value adjustments	**10.13**	8.89	24.57
Exceptional items	**-**	0.85	(1.23)
Fair value adjustments	**(1.34)**	1.02	-
EPS	**8.79**	10.76	23.34

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to shareholders of £22.3 million (30 June 2010: £27.3 million, 31 December 2010: £59.2 million) by the weighted average number of shares in issue during the period of 253.6 million which has been adjusted to exclude the weighted average number of shares held by the employee trust (30 June 2010: 253.6 million, 31 December 2010: 253.6 million).

For diluted EPS the weighted average number of shares has been adjusted to 256.5 million (30 June 2010: 256.3 million, 31 December 2010: 256.4 million) to take account of all potentially dilutive shares.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

7. Dividends

The final dividend for 2010 of 3.74 pence per share was paid to shareholders on 20 May 2011 at a total cost to the Group of £9.5 million. The directors propose an interim dividend in respect of the financial year ended 31 December 2011 of 3.00 pence per share payable to shareholders who are on the register at 9 September 2011. This will amount to a total dividend payment of £7.7 million. This dividend is not reflected as a liability in the balance sheet as at 30 June 2011.

8. Property, plant and equipment

	Unaudited Six months ended 30 June 2011 £m	Unaudited Six months ended 30 June 2010 £m	Audited Year ended 31 December 2010 £m
Net book value at start of period	**35.7**	39.5	39.5
Exchange adjustments	**1.0**	(2.8)	(0.4)
Additions	**6.1**	4.8	10.6
Disposals	**(2.0)**	(0.8)	(2.6)
Depreciation	**(5.2)**	(5.8)	(11.4)
Net book value at end of period	**35.6**	34.9	35.7

As at 30 June 2011 the Group had £4.1 million of capital expenditure commitments with third parties that were not provided for (30 June 2010: £3.2 million, 31 December 2010: £1.8 million).

9. Amounts receivable from customers

	Unaudited 30 June 2011 £m	Unaudited 30 June 2010 £m	Audited 31 December 2010 £m
Poland	**248.6**	196.3	237.6
Czech-Slovakia	**153.1**	120.6	145.4
Hungary	**75.9**	55.6	69.4
Mexico	**68.2**	64.4	67.5
Romania	**51.4**	37.1	47.0
Total receivables	**597.2**	474.0	566.9

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

9. Amounts receivable from customers (continued)

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

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate ('EIR') of 132% (30 June 2010: 130%, 31 December 2010: 132%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 4.9 months (30 June 2010: 4.9 months, 31 December 2010: 5.0 months).

The Group only 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 £183.6 million (6 months to 30 June 2010: £192.1 million, 12 months to 31 December 2010: £376.1 million).

10. Borrowings

	Unaudited 30 June 2011 £m	Unaudited 30 June 2010 £m	Audited 31 December 2010 £m
Due in less than one year	**20.2**	19.1	19.5
Due between one and two years	**-**	252.3	-
Due between two and five years	**267.2**	9.8	284.8
	267.2	262.1	284.8
Total borrowings	**287.4**	281.2	304.3

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

11. Retirement benefit obligation

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

	Unaudited 30 June 2011 £m	Unaudited 30 June 2010 £m	Audited 31 December 2010 £m
Equities	**19.3**	16.2	19.5
Bonds	**8.0**	7.2	7.3
Index-linked gilts	**5.6**	4.8	5.2
Other	**3.5**	2.9	2.8
Total fair value of scheme assets	**36.4**	31.1	34.8
Present value of funded defined benefit obligation	**(37.8)**	(37.1)	(38.1)
Net obligation recognised in the balance sheet	**(1.4)**	(6.0)	(3.3)

The charge recognised in the income statement in respect of defined benefit pension costs is £0.1 million (6 months to 30 June 2010: credit recognised of £2.7 million, 12 months to 31 December 2010: credit recognised of £2.7 million).

12. Average and closing foreign exchange rates

The table below shows the average exchange rates for the relevant reporting periods, closing exchange rates at the relevant period ends, together with the rates at which the Group has economically hedged a proportion of its expected profits for the second half of the year. This second half profit hedging has resulted in a "mark-to-market" fair value loss of £4.7 million at 30 June 2011 as a result of an appreciation in all our operating currencies against Sterling. This loss will unwind as the contracts mature in the second half of the year.

	Average H1 2010	Closing June 2010	2010 Year	Closing Dec 2010	**Average H1 2011**	**Closing June 2011**	**Contract H2 2011**
Poland	4.67	5.14	4.68	4.61	**4.60**	**4.51**	**4.67**
Czech Republic	29.47	31.85	29.38	29.12	**28.86**	**27.25**	**29.00**
Slovakia	1.13	1.24	1.15	1.16	**1.17**	**1.13**	**1.15**
Hungary	314.78	355.21	317.33	324.02	**318.56**	**303.11**	**325.77**
Mexico	19.45	19.40	20.39	19.26	**19.28**	**19.23**	**19.76**
Romania	4.78	5.42	4.90	4.94	**4.90**	**4.81**	**5.13**

The £12.7 million exchange gain on foreign currency translations shown within the consolidated statement of comprehensive income arises on retranslation of net assets denominated in currencies other than Sterling, due to the appreciation of rates against Sterling between December 2010 and June 2011 shown in the table above.

13. Fair value adjustments

In January 2011 we entered into foreign currency contracts to lock-in a proportion of our forecast profits at the exchange rate in place at that time. As currencies have generally appreciated since these dates the result for the six months to 30 June 2011 includes a loss of £4.7 million (30 June 2010: gain of £3.6 million) on the contracts that relate to the second half of the year. This is offset by a fair value loss of £nil (30 June 2010: loss of £0.1 million) on interest rate contracts which have become ineffective and on other hedging instruments. The net loss of £4.7 million (30 June 2010: gain of £3.5 million) is included as an expense within other operating costs in the consolidated income statement.

Responsibility statement

The following statement is given by each of the directors: namely; John Harnett, Chief Executive Officer; David Broadbent, Finance Director; Christopher Rodrigues, Non-executive Chairman; Charles Gregson, Non-executive director; Tony Hales, Non-executive director; Edyta Kurek, Non-executive director; John Lorimer, Non-executive director; and Nicholas Page, Non-executive director.

The directors confirm that to the best of his/her knowledge:

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

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

Report on review of condensed consolidated interim financial information for the six months ended 30 June 2011

We have been engaged by International Personal Finance plc (“the Company”) to review the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 June 2011 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

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

Directors' responsibilities

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

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial information in the half-yearly financial report based on our review.

Scope of Review

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

Report on review of condensed consolidated interim financial information for the six months ended 30 June 2011 (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
20 July 2011

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