A resilient business

Annual Report and Financial Statements 2008

International
Personal Finance

The human face of finance

Overview

Welcome to International Personal Finance plc's 2008 Annual Report and Financial Statements. It covers a successful year for the Group in which we made good progress towards our strategic objectives and delivered a strong financial performance. We also took important steps to prepare for the tougher economic conditions we expect throughout our markets in 2009.

Our vision

We aim to be a leading provider of simple financial products and services to people of modest means. We will do this by building close, long-term relationships with our customers, our people, our business partners and the communities in which we work, and by being a trusted and responsible business.

Our values

We're respectful
Treating others as we would like to be treated.

We're responsible
Taking all due care in our actions and decisions.

We're straightforward
Being open and transparent in everything we do.

www.ipfinannualreport.co.uk

Our 2008 Annual Report and Financial Statements can be viewed online.
Printed copies are available on request.

The purpose of this Report is to provide information to the members of the Company. The Annual Report 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 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 Services Authority). Nothing in this Annual Report should be construed as a profit forecast.

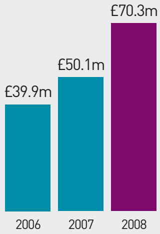
International Personal Finance plc
Company number: 6018973

Group highlights

Profit before tax

2008 £70.3m 2007 £50.1m

+40.3%

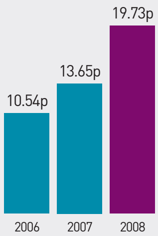


2006 and 2007 stated on a pro forma basis.
The statutory profit before tax in 2007 was £47.0m. (See note 31).

Earnings per share

2008 19.73p 2007 13.65p

+44.5%



2006 and 2007 stated on a pro forma basis.
The statutory earnings per share in 2007 was 12.64p. (See note 32).

- Central Europe profit before tax up 31.5%* (7.4%* at CER) to £106.0 million.
- Mexico on track for 2009 profit.
- Strong balance sheet with equity at 45.1% of receivables.
- Core funding in place to October 2011.
- Proposed final dividend increased by 19.3% to 3.40 pence per share (full year dividend: 5.70 pence).

*2006 and 2007 results and percentage growth stated on a pro forma basis. In order to present the underlying performance variance, figures are quoted after restating prior year figures at constant exchange rates ('CER').

Contents

Group at a glance

Our history

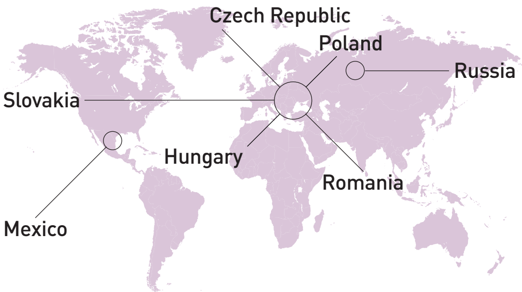
- Established in 1997 as the international division of Provident Financial plc.
- Demerged from Provident Financial plc in July 2007 and became International Personal Finance plc. Shares were listed and admitted to trading on the London Stock Exchange in July 2007.
- Now operating in 7 countries.

Our business

- We provide small-sum, short-term unsecured loans with terms ranging from 6 to 24 months.
- We are different because of our high level of personal service with loans delivered rapidly and conveniently to the customer's home and repayments collected each week by a dedicated agent.
- In 2008 we made over 100 million customer home visits.

Our operations

We focus on emerging markets because they have relatively undeveloped consumer credit markets and offer the prospect of profitable growth.



Our strategy

Our strategy is simple: to continue to improve the efficiency and effectiveness of our home credit business model and progressively enter new emerging markets when the time is right. We believe this will generate continued long-term profitable growth.

Group statistics

Number of customers
2008 +4.7% 2007 +8.8%
2 million

Number of employees
2008 +8.9% 2007 +21.0%
6,100

Revenue*
2008 +11.4% 2007 +8.5%
£557.1m

Number of agents
2008 +4.7% 2007 –2.8%
28,900

Credit issued*
2008 +4.5% 2007 +14.3%
£791.0m

Receivables*
2008 +8.1% 2007 +18.8%
£574.4m

*Percentage growth stated at CER.

Our markets

Poland

Established 1997

Established markets

Population	38.1 million	Number of branches	79
Number of customers	856,000	Credit issued per customer	£399
Number of employees	2,400	Currency	Polish zloty
Number of agents	12,700		

Czech Republic and Slovakia

Established in Czech Republic 1997
Established in Slovakia 2001

Established markets

Population Czech Republic	10.2 million	Number of branches	37
Population Slovakia	5.4 million	Credit issued per customer	£488
Number of customers	397,000	Currency	Czech crown
Number of employees	900		Slovak crown*
Number of agents	4,900		

*Euro from January 2009.

Hungary

Established 2001

Established markets

Population	10 million	Number of branches	24
Number of customers	321,000	Credit issued per customer	£469
Number of employees*	900	Currency	Hungarian forint
Number of agents	4,000		

*Excluding agents.

Mexico

Established 2003

Developing markets

Population	106 million	Number of branches	33
Number of customers	370,000	Credit issued per customer	£198
Number of employees	1,400	Currency	Mexican peso
Number of agents	5,600		

Romania

Established 2006

Developing markets

Population	22.3 million	Number of branches	16
Number of customers	85,000	Credit issued per customer	£568
Number of employees	300	Currency	Romanian leu
Number of agents	1,700		

Russia

Established 2008

New markets

Population	142.5 million	Number of branches	1
Number of employees	50	Currency	Russian rouble

Chairman's statement

Welcome to the 2008 International Personal Finance plc ('IPF') Annual Report and Financial Statements. Our overall goal is to produce strong, sustainable and profitable growth for our shareholders by successfully meeting our strategic objectives and we believe we are well placed to achieve this.

Over the last 11 years we have developed a wealth of experience. We understand how to enter and succeed in emerging markets and to meet the needs of consumers for fast, convenient credit. We have also identified potential new markets throughout the world that offer the prospect of strong growth in the years to come.

Achieving targets and funding

When the business was demerged from Provident Financial plc in July 2007, we had four medium-term targets.

The first was to grow the profitability of our core Central European markets with the aim of producing pre-tax profits of £95 million by 2010. I am delighted to report that we have passed that target already, recording profit before tax in 2008 of £106.0 million on revenue of £493.2 million. This reflects a strong underlying performance in our Central European markets helped by a strong tail wind from favourable currency movements.

Our second task was to continue making progress in moving our fledgling Mexican and Romanian operations into profit. We targeted profit for Mexico in 2009 and Romania for 2010. We made good progress during the year, particularly in Mexico where start-up losses reduced year-on-year by £4.6 million. Both countries are on course to meet our targets.

Thirdly, we wanted to continue our geographic expansion, taking our home credit model into new emerging markets. We opened a pilot operation in Moscow during the year and over the course of the next 12 months or so we will use this to evaluate our home credit model in the Russian market.

Our final objective concerned our funding structure. At the year end 45.1% of our net customer receivables were financed by shareholders' funds. This is unusually high and in normal market conditions we would seek to take on more borrowings to allow the release of some shareholders' funds. However, the operation of debt capital markets continues to be disrupted and credit is scarce. In these circumstances our key objective is to secure sufficient debt funding for our business and so we were delighted during the year to extend £422.8 million of bank facilities until October 2011. This provides sufficient funding to support the development of our existing territories.

Christopher Rodrigues
Non-executive Chairman

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Preparing for the economic downturn

The global economic climate deteriorated rapidly during 2008 with the US sub-prime mortgage crisis moving from being a relatively local problem in the first half of 2008 to a full-blown international liquidity crisis during the second half of the year. By the late summer it was clear the world's developed economies were heading for a major recession. We took the view that the emerging markets in which we operate would also be significantly impacted by this with increased levels of unemployment and a more testing credit environment in 2009. We therefore drew up plans to manage our business through the downturn. We decided to act quickly and substantially tightened our credit controls in October 2008, slowing the intake of new customers and the volume of repeat lending to existing customers. We also reviewed our new market entry strategy and decided to defer any new country entry until economic conditions stabilised.

Customer focus

We recognise that our long-term success depends on us putting our customers first. We have therefore started work to align the business to the Financial Services Authority's Treating Customers Fairly ('TCF') principles. This is a clear indication of our desire to be a truly customer focused organisation.

Looking forward

Our leadership team has done an exceptional job and John Harnett's role in this was deservedly recognised with his appointment as Chief Executive Officer in October. I would like to thank everyone in the Group for their hard work during the year. I am delighted that the executive team will be further strengthened by the appointment of Craig Shannon as Development Director, who will be proposed for election at the forthcoming annual general meeting in May.

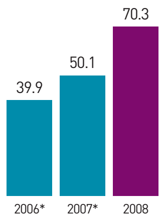
In the short term we expect conditions in 2009 to be challenging but we have made thorough preparations and believe we are well placed to weather the impending economic downturn and to prosper and grow when conditions improve. This is because:

- we have a proposition that our customers clearly like;
- we have a resilient business model;
- we have a clear growth strategy for developing the business in the future; and
- the business is well financed.

Over the medium and long term these key elements will drive the creation of shareholder value.

Christopher J Rodrigues
Non-executive Chairman

IPF pre-tax profit growth 2006 – 2008 (£m)



*Pro forma.

We have a proposition that our customers clearly like; we have a resilient business model; we have a clear growth strategy for developing the business in the future; and the business is well financed. Over the medium and long term these key elements will drive the creation of shareholder value.

Chief Executive Officer's review
Introduction

The business made good progress during 2008, delivering strong results and continuing to build a strong platform for future success. Profit before tax increased by 40.3% to £70.3 million and earnings per share were up by 44.5% to 19.73 pence. We have recommended a final dividend of 3.40 pence per share, up by 19.3%, giving a full year dividend of 5.70 pence per share.

Planning our response to the global economic downturn was an important activity in the second half of 2008. Whilst there were few tangible signs of worsening conditions in our markets until mid-November, we decided to act early and tightened our credit criteria in October to ensure we were well positioned for tougher trading conditions. We implemented plans to keep headcount, capital expenditure and costs to a minimum and also took the decision that, pending more stable economic conditions, we would defer entry into any additional new markets, thereby postponing entry into the short-listed markets of India and the Ukraine.

During 2008, we maintained a strong focus on delivering against the targets we set out at demerger but also invested in laying foundations for future growth. In particular, we have investigated how the business can operate more effectively and on a much larger scale in the years to come. This has generated a programme of work to improve the business that we have called 'Excellence in Execution'.

Strategy
We have a clear strategy that we believe will ensure that IPF continues to grow its profits and generate substantial shareholder value. Our strategy is simple: we intend to continue to improve the efficiency and effectiveness of our home credit business model and progressively enter and develop new emerging markets when the time is right.

Each of our four strategic priorities is carefully monitored and our progress in meeting our long-term goals is measured against a wide range of Key Performance Indicators ('KPIs'). Performance of every business unit is reviewed formally each month. This process is supported by a detailed KPI pack which measures financial results, trends and performance compared to expectations against more than 100 measures.

Standing alongside these we have an ongoing task to develop the people within the business as well as its governance, systems and processes to support a fast-growing international business that will become many times larger than it is today. We have clear actions to ensure this task is successfully achieved.

Excellence in Execution
Our job as managers is to continually find ways to improve the quality, efficiency and effectiveness of our business. During this past year we have brought together a number of initiatives into a single programme called Excellence in Execution and committed resources to ensure it can be implemented successfully. The programme aims to achieve improvement in three ways.

John Harnett
Chief Executive Officer

Our strategy

Established markets

To optimise the profitability of our established markets in Poland, the Czech Republic, Slovakia and Hungary.

- 2008 pre-tax profit up 31.5% to £106.0 million

Developing markets

Bring our developing Mexican and Romanian operations into profit, in 2009 and 2010 respectively, and optimise their long-term performance.

- Mexico: on track for profit in 2009
- Romania: on track for profit in 2010

New markets

Move into new emerging markets where demand for credit is growing strongly and the market is relatively underserved. We will do this when the time is right and when each market has met our exacting selection criteria.

- Russia: pilot began in 2008

Manage our balance sheet

To manage our balance sheet effectively so that we are well financed to achieve our strategic objectives and efficiently use shareholders' funds.

- 45.1% equity to receivables
- Core funding in place to October 2011

Firstly we have created, and are now introducing, precisely defined and documented operating processes and procedures throughout our business which support and reflect our commitment to Treating Customers Fairly ('TCF'). These will ensure that as we open in new territories or bring new people into the business, we deliver a consistently good service to customers and agents.

Secondly, we are devolving the management of our business to local, branch level. This means we will tailor our sales, marketing and credit strategies according to the potential and performance of individual branches rather than at overall country level. We have successfully implemented this approach in Mexico and are now rolling it out into all our markets. We expect this to improve the profit performance of all branches and also narrow the range of performance across branches.

Thirdly, we know that the retention of agents and building their levels of experience is a major driver of profit and appreciate the agent is central to delivering a quality service to our customers. We therefore intend to improve our selection, guidance and performance management of agents in all markets during 2009.

Outlook

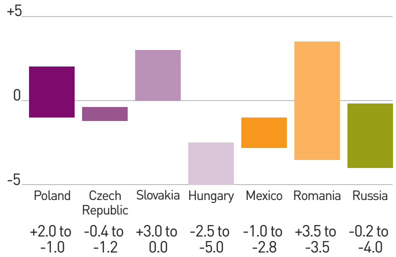
We have a resilient business model. Our loan book is short-term – on average just under six months repayments are outstanding, which means we can quickly change the risk-return profile of our lending, and our close customer relationships allow us to rapidly detect and respond to changes in customers' circumstances.

However, the extent and duration of the economic downturn and the impact of this on the markets in which we operate is unclear. In these circumstances the guidance we can give is less certain.

We expect that during 2009 the economies of the emerging markets in which we operate will slow substantially or move into recession and this will reduce household incomes and so lessen customers' ability to repay loans. In this situation we can expect collection of loan repayments to be more challenging and credit quality to come under pressure. Our central planning assumption is that impairment will increase by around 5% of revenue as a result and collections performance in the early weeks of 2009 supports this view, with Mexico less affected than our European markets. We will mitigate this by reducing our operating costs in Central Europe by at least £10 million – approximately 5% of our other operating costs.

We are confident that the actions we have taken to tighten credit criteria and minimise costs will allow us to weather the recession successfully and that we are well placed to respond rapidly and grow when conditions improve.

Forecast GDP – 2009 forecast range



Source: Datastream, Reuters, Haver Analytics and Citibank.

We are developing a fast-growing international business and are laying down the foundations for future growth. Our plan is for IPF to operate more effectively on a much larger scale in years to come. Our Excellence in Execution programme will help enable us to achieve these goals.

Chief Executive Officer's review

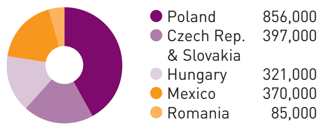
Key performance indicators

Financial	Strategic link

Customer numbers

The total number of customers across the Group. At the end of 2008 we had 2.03 million customers.

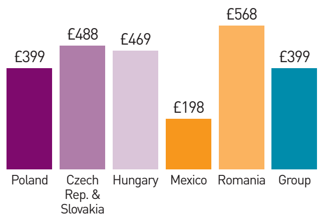
- Quality customers drive the business, generating revenue and ultimately profit. Increasing the number of high-quality customers serves to support our long-term growth strategy in both new and existing markets.



Credit issued per customer

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

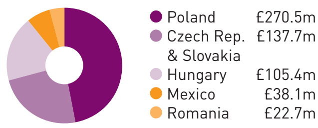
- The main driver of profit per customer is the amount of credit issued per customer.
- Credit issued per customer should increase over time and is partly driven by inflationary increases in customers' disposable incomes, in line with responsible lending. We adopt a 'low and grow' strategy and only issue more credit to a customer once their creditworthiness is proven.



Net customer receivables

The amount outstanding from customers for loans issued less impairment provisions calculated in accordance with our accounting policies. At the end of 2008 net customer receivables were £574.4 million.

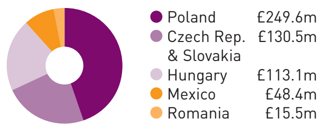
- The revenues we earn are calculated by reference to the effective interest rates of the loans we issue and the value of the net customer receivables outstanding.



Revenue

Income generated from customer receivables. In 2008 revenue was £557.1 million.

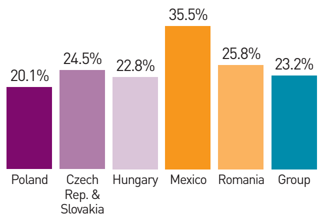
- Most of the business costs are relatively fixed.
- As revenues increase, in line with customer numbers and receivables, developing markets move up the J-curve into profitability and grow profits and margins rapidly.



Impairment

The amount charged as a cost to the income statement as a result of customers defaulting on contractual loan agreements – a default is classified as the failure to make any weekly payment in full. The cost includes the value of repayments written off as irrecoverable as well as provisions for the expected future default.

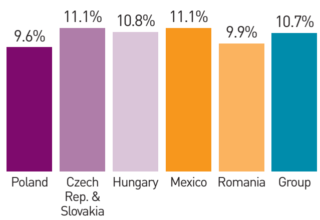
- Profitability is maximised by optimising the balance between growth and credit quality.
- We find impairment as a percentage of revenue is a good measure for comparing performance across markets.



Gross cash loss

The expected total value of contractual customer repayments that will not be collected and will ultimately be written off for any loan or group of loans.

- A leading-edge measure of the quality of credit issued. Forecasts are based on the actual performance of previous lending.
- The higher the expected gross cash loss, the higher the impairment charge will be in the periods after the loans are issued.
- Given the unfavourable global economic outlook, it is likely that the forecast at the end of 2008 will be understated.

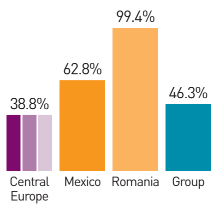


The graph shows forecast gross cash loss for loans issued in 2008.

Expenses

The costs of servicing customers – including agents' commissions, funding costs and the direct expenses of running the business. We find expressing expenses as a percentage of revenue is useful for comparing performance across markets.

- The lower our expenses to revenue ratio, the more efficient we are and the more profit we make.
- Our funding costs represent 5% to 6% of our revenues.
- Commission costs represent around 13% of revenues.



The graph shows direct expenses as a percentage of revenue.

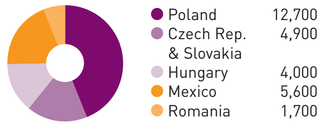
Non-financial

Strategic link

Agent numbers

The number of agents in the business. At the end of 2008 we had 28,900 agents.

- Agents are central to the success of the business model and customer service. They recruit customers and make collections from them.
- More agents generally means more customers can be recruited and managed.



Employee and agent stability

The proportion of employees and agents who remain with us a year after joining.

- Our business model requires us to select and train large numbers of new employees and agents. High levels of turnover are costly and lead to the customer and agent relationship being broken which in turn leads to higher impairment.
- Engaged employees and agents are crucial to achieving excellent business performance.

Employee stability

75%

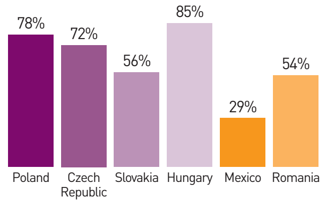
Agent stability

59%

Brand awareness

The proportion of the adult population who recognise our brand.

- The higher the level of awareness, the higher the potential customer base becomes.
- The brand also plays a key role in attracting agents and employees.



Conversion rates

The proportion of potential new customers interested in having a loan, who actually receive one.

- The recruitment of new customers is a key driver of total customers. A high conversion rate may indicate that we are recruiting too many high risk customers. A low rate may mean that we are not providing an effective service.

Call centre lead to loan

c50%

Customer retention

A measure of customers eligible to take out repeat home credit loans, because their repayment performance has been of a high standard, who actually do so.

- After allowing for the cost of recruitment and higher levels of impairment, little profit is made on new customers.
- Our aim is to retain good customers, build lasting relationships and increase their lifetime value.
- Higher customer retention drives higher customer numbers.

Customer retention

c70%

Customer satisfaction

The degree to which customers are satisfied with the home credit service. Regular customer research is undertaken to obtain feedback and measure satisfaction levels.

- Satisfied customers are likely to take out further loans or recommend us to their family and friends.
- Dissatisfied customers may indicate poor service and will lead to poor customer retention.

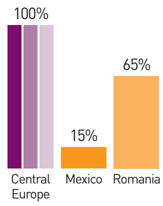
Customer satisfaction

68%

Percentage of servable population

The proportion of the country population that we can serve through our branch network and agency force.

- The higher the proportion of the population that can be reached, the more customers can be served.
- The scale and speed of building the branch network determines the duration and depth of the J-curve.



Chief Executive Officer's review

Operational review: Group

This has been another successful year, with good progress made towards our strategic objectives: We passed our £95 million profit target for Central Europe a year ahead of schedule and Mexico remains on track to report a profit for 2009 and Romania for 2010. We also succeeded in extending our core bank facilities through to October 2011.

Looking forward we have a strong balance sheet and a resilient business model. We are well placed to weather the downturn, and to respond rapidly and grow when conditions improve.

Certain comparative information presented in this document is stated on a pro forma basis including the adjustments required to present the results as if International Personal Finance plc ('IPF' or the 'Group') had operated as a stand-alone entity throughout the year ended 31 December 2007. The statutory profit before tax for the year ended 31 December 2007 was £47.0 million and the statutory EPS was 12.64 pence. Further information on the pro forma adjustments including a reconciliation between the statutory and pro forma profit after tax is included in notes 31 and 32 of the financial statements.

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 2008 in order to present the underlying performance variance.

Summary

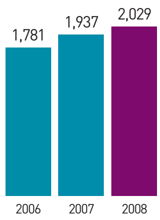
Profit before taxation for the year ended 31 December 2008 increased by 40.3% to £70.3 million and earnings per share increased by 44.5% to 19.73 pence.

Group income statement

Profit before taxation	2008 £m	Pro forma 2007 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**2,029**	1,937	92	4.7	4.7
Credit issued	**791.0**	621.1	169.9	27.4	4.5
Average net receivables	**504.9**	362.1	142.8	39.4	13.9
Revenue	**557.1**	409.8	147.3	35.9	11.4
Impairment	**(127.2)**	(83.2)	(44.0)	(52.9)	(27.1)
Revenue less impairment	**429.9**	326.6	103.3	31.6	7.5
Finance costs	**(29.5)**	(19.2)	(10.3)	(53.6)	(25.5)
Operating and administration costs	**(330.1)**	(257.3)	(72.8)	(28.3)	(6.9)
	(359.6)	(276.5)	(83.1)	(30.1)	(8.2)
Profit before taxation	**70.3**	50.1	20.2	40.3	4.3

Group customer numbers increased by 4.7% in the year and now stand at over 2 million. The growth in customer numbers came from the developing markets of Romania and Mexico with customer numbers in Central Europe reducing slightly as a result of the impact of the credit tightening. Credit issued increased by 4.5% to £791.0 million.

Group customer numbers ('000s)



Group customer numbers increased by 4.7% in the year and now stand at over 2 million. The growth in customer numbers came from the developing markets of Romania and Mexico.

Profit before tax £70.3 million

+40.3%

Earnings per share 19.73 pence

+44.5%

Average net customer receivables grew by 13.9%, benefiting from increased average loan sizes to better quality customers and this caused revenue to increase by 11.4% to £557.1 million.

As expected, credit quality softened a little during the first half of the year driven by growth in credit issued and customer numbers. As a result, impairment grew by 27.1% to £127.2 million, including a release of impairment provisions of £2.0 million in Poland compared with a release of £6.0 million in 2007. Before provision releases, impairment was at 23.2% of revenue compared with 21.8% in 2007, well within our target range. In addition, the credit tightening implemented in October resulted in a much improved early credit performance for lending in the final four months of the year.

Finance costs increased by 25.5% to £29.5 million as a result of increased net borrowings to fund growth in Mexico and Romania and higher interest margins on our borrowings. Year-end borrowings, net of cash, were 9.2% higher than 2007 and the interest rate margin that we pay on our syndicated loan facilities increased from 135 bps to 225 bps following the refinancing in October. Finance costs represented 5.3% of revenue.

Operating and administration costs increased by less than revenue, up by 6.9% to £330.1 million. Cost increases were driven by expansion in Mexico and Romania, with Central European costs flat.

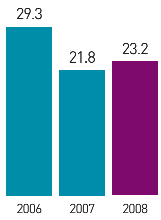
All markets performed well and the profit before taxation by market is set out below:

	2008 £m	Pro forma 2007 £m	Change £m	Change %	Change at CER %
Central Europe	**106.0**	80.6	25.4	31.5	7.4
Central costs	**(13.2)**	(12.5)	(0.7)	(5.6)	(5.6)
Established businesses	**92.8**	68.1	24.7	36.3	7.7
Mexico	**(8.7)**	(13.3)	4.6	34.6	37.4
Romania	**(7.8)**	(4.2)	(3.6)	(85.7)	(77.3)
Russia	**(6.0)**	(0.5)	(5.5)	(1,100.0)	(1,100.0)
Developing markets	**(22.5)**	(18.0)	(4.5)	(25.0)	(19.7)
Profit before taxation	**70.3**	50.1	20.2	40.3	4.3
Taxation	**(19.7)**	(15.0)	(4.7)	(31.3)	
Profit after taxation	**50.6**	35.1	15.5	44.2	

	2008 £m	Pro forma 2007 £m	Change £m	Change %
Earnings per share (pence)				
Established businesses	**26.04**	18.55	7.49	40.4
Developing markets	**(6.31)**	(4.90)	(1.41)	(28.8)
Total	**19.73**	13.65	6.08	44.5

Our established Central Europe business reported pre-tax profits of £106.0 million, an increase of £25.4 million (31.5%) on the prior year. This reflects a good performance in the year but also the strength of the Central European currencies, which meant that the rates used to retranslate profits were approximately 23% better than 2007. Excluding exchange rate movements but including the negative short-term impact of the credit tightening, profits increased by 7.4%.

Group impairment as a percentage of revenue (%)



All our markets performed well in 2008. Our established Central European business reported pre-tax profits of £106.0 million. We made good progress in Mexico and Romania continues to perform in line with expectations. We also commenced pilot operations in Russia.

Chief Executive Officer's review

Operational review: Group continued

Central costs increased by 5.6% to £13.2 million.

Pre-tax profits from our established businesses, net of central costs, increased by 36.3% to £92.8 million. Earnings per share attributable to established businesses were 26.04 pence, up by 40.4%.

We made good progress in Mexico with losses reducing by £4.6 million to £8.7 million. Customer numbers increased by 18.6% to 370,000 and credit issued rose by 8.1% to £67.4 million. Average net customer receivables increased strongly, up by 20.9% to £28.9 million and this caused revenue to increase by 16.2% to £48.4 million. The tightening of credit controls implemented at the end of 2007 was effective and, despite strong growth in customers and receivables, credit quality remained good and stable in both the Puebla and Guadalajara regions with impairment as a percentage of revenue reducing to 35.5% (2007: 47.4%).

Romania continues to progress in line with expectations. Losses of £7.8 million reflect the costs of expanding our number of branches from 7 at the end of 2007 to 16 at the end of 2008. Customer numbers and credit issued grew strongly, up by 157.6% and 244.1% respectively, with credit quality remaining good.

We also commenced pilot operations in Russia during the third quarter of the year from a single branch in Moscow. It is too early to draw conclusions from our experience to date. Start-up losses of £6.0 million were incurred in 2008 (2007: £0.5 million).

Regulation and legislation

During the year we responded to the introduction of an interest rate cap in our smallest established market, Slovakia. This became effective from July 2008 and, as we had previously done in Poland, we successfully modified our product offering, with minimal impact on operational performance. In recent months there has also been some debate about the possible introduction of rate caps in both Mexico and Hungary.

We continue to monitor the implementation of the EU Consumer Credit Directive which will pass into law in each of our Central European markets and Romania over the course of the next two years. The new Directive focuses on fairness to customers and transparency. There are some areas where the precise details of the law will only be clear when the Directive is enacted in each member state and, in due course, we may need to make some adjustments, but overall we welcome the changes it will bring.

Earnings per share – established businesses

26.04p

Earnings per share – Group

19.73p

Pre-tax profits from our established businesses, net of central costs, increased by 36.3% to £92.8 million. Earnings per share attributable to established businesses were 26.04 pence, up by 40.4%.

Operational review: Established markets

Central Europe comprises our operations in Poland, the Czech Republic, Hungary and Slovakia. Central Europe performed well in 2008, with reported pre-tax profits of £106.0 million, up by 31.5% from 2007.

Central Europe

A summary table of the results is presented below with a detailed review of each country.

	2008 £m	Pro forma 2007 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**1,574**	1,592	(18)	(1.1)	(1.1)
Credit issued	**690.1**	553.8	136.3	24.6	0.8
Average net receivables	**464.1**	336.7	127.4	37.8	11.5
Revenue	**493.2**	367.1	126.1	34.4	8.6
Impairment	**(106.0)**	(64.3)	(41.7)	(64.9)	(32.7)
Revenue less impairment	**387.2**	302.8	84.4	27.9	3.4
Finance costs	**(24.9)**	(18.1)	(6.8)	(37.6)	(12.2)
Agent commission	**(65.0)**	(51.7)	(13.3)	(25.7)	(2.5)
Other operating costs	**(191.3)**	(152.4)	(38.9)	(25.5)	(0.7)
Profit before taxation	**106.0**	80.6	25.4	31.5	7.4

In October 2008, we significantly tightened our credit controls in expectation of an economic downturn and rising unemployment in our markets during 2009. We also implemented plans to keep costs to a minimum.

As a result of the implementation of stricter lending criteria, year end customer numbers reduced by 1.1% to 1.57 million, having been growing at an annualised rate of 4.8% to the end of the third quarter. This reduction was also partly attributable to the write-off of non-performing customers to accelerate the recovery of the outstanding debt.

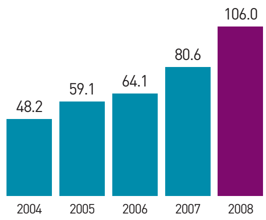
Credit issued, which had also been growing well throughout the first three quarters of the year (7.9% higher than the same period of the prior year), decreased by 16.3% in the final quarter of 2008, consequently for the full year credit issued increased by only 0.8% to £690.1 million.

Year end net receivables were 2.6% higher than at 31 December 2007 with a larger increase of 11.5% in average net receivables over the full year reflecting the growth in credit issued in the first three quarters.

Revenue increased by 8.6% to £493.2 million, but was affected by the reduction in credit issued in the fourth quarter. Impairment increased by 32.7% to £106.0 million although as noted above, this includes £2.0 million of provision releases compared with £6.0 million in the prior year. Before provision releases, underlying impairment was 21.9% of revenue, compared with 19.2% for 2007.

The net effect was an increase in pre-tax profits of £25.4 million (31.5%) to £106.0 million. After adjusting for the current and prior year release of impairment provisions, and the impact of foreign exchange, underlying profit growth was 14.5%.

5 year pre-tax profit growth in Central Europe (£m)



Central Europe
Underlying pre-tax profit up

14.5%

(reported profit up 31.5%)

Underlying impairment

21.9%

of revenue

Cost-income ratio improved from 41.5% to

38.8%

Chief Executive Officer's review

Operational review: Established markets continued

Poland

	2008 £m	2007 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**856**	871	(15)	(1.7)	(1.7)
Credit issued	**344.9**	270.9	74.0	27.3	2.0
Average net receivables	**255.5**	181.0	74.5	41.2	13.5
Revenue	**249.6**	183.1	66.5	36.3	9.2
Impairment	**(48.2)**	(26.4)	(21.8)	(82.6)	(45.8)
Revenue less impairment	**201.4**	156.7	44.7	28.5	3.1

Following the credit tightening customer numbers reduced by 1.7% to 856,000. Credit issued increased by 2.0% to £344.9 million. Average net receivables and revenue increased by 13.5% and 9.2% respectively.

Credit quality remained good with underlying impairment as a percentage of revenue at 20.1% (2007: 17.7%). The impairment charge of £48.2 million is net of a release of impairment provisions of £2.0 million (2007: £6.0 million).

Revenue less impairment has increased by 3.1% to £201.4 million.

Czech Republic and Slovakia

	2008 £m	2007 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**397**	402	(5)	(1.2)	(1.2)
Credit issued	**195.1**	152.9	42.2	27.6	(0.2)
Average net receivables	**118.7**	87.6	31.1	35.5	6.0
Revenue	**130.5**	96.9	33.6	34.7	5.0
Impairment	**(32.0)**	(20.5)	(11.5)	(56.1)	(20.1)
Revenue less impairment	**98.5**	76.4	22.1	28.9	0.8

Growth in these markets was also impacted by the credit tightening. Customer numbers reduced by 1.2% and credit issued by 0.2%. Average net receivables increased by 6.0% leading to an increase in revenue of 5.0% to £130.5 million.

Impairment as a percentage of revenue increased to 24.5% from 21.2%, partly as a result of the strong growth in credit issued in the first three quarters of 2008, and partly due to lower revenue as a result of the credit tightening.

Revenue less impairment increased by 0.8% to £98.5 million.

Poland

Customer numbers 856,000

–1.7%

Average net receivables £255.5 million

+13.5%

Impairment as a % of revenue

20.1%

Czech Republic and Slovakia

Customer numbers 397,000

–1.2%

Average net receivables £118.7 million

+6.0%

Impairment as a % of revenue

24.5%

Hungary

	2008 £m	2007 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**321**	319	2	0.6	0.6
Credit issued	**150.1**	130.0	20.1	15.5	(0.6)
Average net receivables	**89.9**	68.1	21.8	32.0	13.8
Revenue	**113.1**	87.1	26.0	29.9	11.6
Impairment	**(25.8)**	(17.4)	(8.4)	(48.3)	(28.1)
Revenue less impairment	**87.3**	69.7	17.6	25.3	7.5

Credit controls were tightened in Hungary in July, earlier than the other Central European markets. As a result, growth was constrained with customer numbers growing by 0.6% to 321,000 and credit issued reducing by 0.6% to £150.1 million.

Strong growth in the later part of 2007 led to an increase in average net receivables of 13.8% and this resulted in an 11.6% increase in revenue.

Credit quality remained good and impairment as a percentage of revenue was 22.8% (2007: 20.0%), in line with the figure reported at June 2008.

Revenue less impairment increased by 7.5% to £87.3 million.

Hungary

Customer numbers 321,000

+0.6%

Average net receivables £89.9 million

+13.8%

Impairment as a % of revenue

22.8%

Chief Executive Officer's review

Operational review: Developing markets

Our two developing markets, Mexico and Romania, are progressing well.

Mexico

Mexico made significant progress in 2008, reporting a much reduced loss of £8.7 million which, at constant exchange rates, is 37.4% lower than the loss reported in 2007. Importantly, we reported reduced losses in both the Puebla and Guadalajara regions with both very close to break even for the second half of the year.

	2008 £m	Pro forma 2007 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**370**	312	58	18.6	18.6
Credit issued	**67.4**	58.1	9.3	16.0	8.1
Average net receivables	**28.9**	22.3	6.6	29.6	20.9
Revenue	**48.4**	38.8	9.6	24.7	16.2
Impairment	**(17.2)**	(18.4)	1.2	6.5	12.7
Revenue less impairment	**31.2**	20.4	10.8	52.9	42.0
Finance costs	**(4.0)**	(3.0)	(1.0)	(33.3)	(24.1)
Agent commission	**(5.5)**	(4.6)	(0.9)	(19.6)	(12.2)
Other operating costs	**(30.4)**	(26.1)	(4.3)	(16.5)	(9.5)
Loss before taxation	**(8.7)**	(13.3)	4.6	34.6	37.4

Loss before taxation analysed as:

	2008 £m	2007 £m	Change £m	Change %	Change at CER %
Puebla	**(2.1)**	(6.2)	4.1	66.1	67.6
Guadalajara	**(0.9)**	(1.9)	1.0	52.6	54.7
Head office	**(5.7)**	(5.2)	(0.5)	(9.6)	(4.9)
	(8.7)	(13.3)	4.6	34.6	37.4

Having improved credit quality in 2007, we were able to resume our focus on growth in 2008. As a result, customer numbers grew by 18.6% to 370,000 with significantly stronger growth in the second half of the year.

Credit issued increased by 8.1% to £67.4 million. This growth was slower than the growth in customer numbers because a higher proportion of credit was issued to new customers who receive smaller value loans. During 2008 we introduced slightly longer-term products (40 and 50 week loans) for better quality customers. This will subsequently drive stronger growth in credit issued and brings the product structure more closely into line with that in Central Europe.

The increase in customer numbers and credit issued resulted in strong growth in average net receivables and revenue which increased by 20.9% and 16.2% respectively.

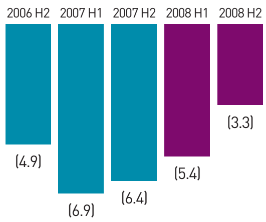
Credit quality continues to improve and impairment as a percentage of revenue stands at 35.5% for the year ended 31 December 2008 compared with 47.4% in 2007.

Overall, revenue less impairment increased by 42.0% to £31.2 million.

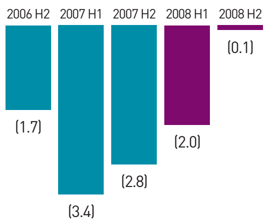
Other operating costs in Mexico have increased by 9.5% compared with 2007, well below the growth in revenue.

In 2009, we expect revenue less impairment to continue to grow faster than costs allowing the country to report its maiden full year profit.

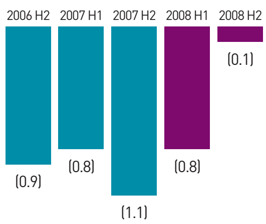
J-curve for Mexico (£m)



J-curve for Puebla (£m)



J-curve for Guadalajara (£m)



J-curves are described in more detail in the well financed section.

Mexico

Customer numbers 370,000

+18.6%

Average net receivables £28.9 million

+20.9%

Impairment as a % of revenue

35.5%

Romania

	2008 £m	2007 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**85**	33	52	157.6	157.6
Credit issued	**33.5**	9.2	24.3	264.1	244.1
Average net receivables	**11.9**	3.1	8.8	283.9	262.3
Revenue	**15.5**	3.9	11.6	297.4	274.9
Impairment	**(4.0)**	(0.5)	(3.5)	(700.0)	(667.9)
Revenue less impairment	**11.5**	3.4	8.1	238.2	218.2
Finance costs	**(2.4)**	(0.5)	(1.9)	(380.0)	(391.2)
Agent commission	**(1.5)**	(0.4)	(1.1)	(275.0)	(228.5)
Other operating costs	**(15.4)**	(6.7)	(8.7)	(129.9)	(118.5)
Loss before taxation	**(7.8)**	(4.2)	(3.6)	(85.7)	(77.3)

During the year we continued our branch roll-out in Romania and we now have 16 branches, up from 7 at the end of 2007. As a result, growth was rapid, with customer numbers rising from 33,000 to 85,000 and credit issued during the year reaching £33.5 million. Average net receivables and revenue almost quadrupled to £11.9 million and £15.5 million respectively.

Credit quality remains good, with impairment as a percentage of revenue at 25.8%, which is in line with our expectations for a business at this stage of development.

Total costs also increased significantly as a result of the expansion in the branch network and growth in customer numbers and net receivables. This has resulted in increased losses for the year of £7.8 million. We expect a significant reduction in losses in 2009 as revenue per branch increases and the business is well placed to make a profit in 2010.

John A Harnett
Chief Executive Officer

We opened 9 new branches in Romania in 2008, taking our network to 16 branches and we now reach 65% of our target market.

Romania
Customer numbers 85,000

+157.6%

Average net receivables
£11.9 million

+262.3%

Impairment as a % of revenue

25.8%

We are the human face of finance. We provide small-sum unsecured credit with loans delivered to the customer and repayments collected each week by a dedicated agent. Agents build close, long-term relationships with our customers who like the fast, friendly, flexible and trustworthy service we provide.

80% of our customers are satisfied with using agents.

An attractive proposition for customers

Home credit

A common feature of the emerging markets in which IPF operates is the rapid growth in the size of the market for consumer credit. At the same time, the consumer credit market remains significantly smaller than those of the developed western economies of the UK and the US. Consumer indebtedness in our markets typically represents less than 20% of annual disposable income compared with levels of 80% to 90% in the UK.

The wider consumer credit market includes mortgages, credit cards, hire purchase and cash loans. IPF operates in a sub-sector of the consumer credit market, servicing customers who require a fast cash loan and who seek or are only able to afford to repay small amounts of credit. Products in this sub-sector include credit cards, unsecured personal loans, overdrafts, home shopping catalogues and pawnbroker lending, as well as home-collected cash loans – commonly referred to as 'home credit'.

Home credit provides a convenient way for people from all walks of life to borrow relatively small sums of money at short notice, in a manageable and transparent way. It is predominantly a woman-to-woman business – around three-quarters of agents and over half our customers are women.

We mainly lend in cash, in local currency, with sums ranging from as little as £50 to over £1,000. On average, we lent around £330 to each of our customers during 2008. Loans are short-term ranging from six months to two years, but most are for a period of about a year.

For the majority of home credit loans, we fix the total amount repayable on the loan at the outset and do not levy any penalty charges or interest as a result of missed payments. This applies regardless of the number of missed payments or changes in interest rates. Customers are not required to provide any form of guarantee or security in order to qualify for a loan.

The credit vetting of customers, the provision of the loan and the collection of weekly instalments are all performed in the convenience of the customer's home by a home credit agent who is responsible for servicing the customer's needs throughout their relationship with IPF.

Home credit provides a convenient way for people from all walks of life to borrow relatively small sums of money at short notice, in a manageable and transparent way. Loans are delivered to, and repayments are collected weekly from, the customer's home by their agent.

Loans available from

£50

Average home credit loan issued

£330

An attractive proposition for customers

Our customers

Currently we have 2.03 million customers, over half of whom are women and who typically manage the household budget. Customers use home credit to manage the ups and downs of their weekly finances. Demand is highest at periods like Christmas for buying presents, Easter for family celebrations, summer for holidays and autumn for back-to-school expenditure.

Most of our customers earn average or below average incomes. Nearly all are in employment. We do not lend to customers whose sole income is unemployment benefit or anyone who has been a customer and who did not repay a previous loan.

Many of our customers will have little or no credit history and may be taking a loan from a financial organisation for the first time. Those who have used credit before may have used a store credit card to purchase household items or would have borrowed from friends and family.

The proportion of our customers having a bank account varies market by market. For example, in the Czech Republic around 82% of customers have a bank account, compared with 61% in Poland.

Meeting our customers' needs

Our products are carefully designed with our customers' needs in mind and we carry out market research and conduct focus groups to ensure these requirements are continually met.

The home credit service has proven to be highly popular with our customers. In the 11 years since we first began operating we have provided credit to more than 5 million people. The home credit service is popular because it is quick, convenient and provides a manageable way for our customers to spread their family budgets to buy the things they want. The relatively small, short-term loans we provide enable customers to budget for repayments. Most customers also have the added assurance that they will not face extra charges if they have difficulty making payments on time.

With busy home and work lives, our customers like the fact that we can usually provide a loan in cash within 48 hours from initial contact. This can be much quicker than mainstream lenders who in these emerging markets do not have the usual sources of information on which to make credit decisions, such as well established credit bureaux or bank account data.

Customers also like the convenience of being able to arrange loans and make repayments in their own home, at a time that suits them. The agent calls at the same time every week and saves them having to travel to a bank to make payments.

Customers use home credit to manage the ups and downs of their weekly finances. Demand is highest at periods like Christmas for buying presents, Easter for family celebrations, summer for holidays and autumn for back-to-school expenditure.

Total number of customers

2.03m

Percentage of customers who are female

52%

Our target for delivery of a loan in cash, from first contact with customer

48hrs

We make every effort to keep our customer documentation clear and simple. Our customer information sheets and agreements set out the necessary information in plain, appropriate language. Our commitment to providing clear, straightforward information is closely linked to our approach to financial literacy which is the main focus of our community investment work. In recent externally commissioned research it was found that 86% of customers feel our loan agreements are easy to understand.

Pricing

For a typical one-year loan, a customer would be expected to pay around 170 for a loan of 100. This includes the interest cost of the loan as well as the cost of an agent visiting the customer every week and, importantly, the guarantee that there will be no additional penalty charges. We believe that home credit offers good value to our customers compared with other credit products when you take into account the home service provided by the agent, the speed at which a loan is typically delivered, and the peace of mind most customers have that they can miss weekly repayments, when they are short of cash, without penalty.

We make all of our charges clear at the outset. There are no hidden surprises. The fact that we do not charge default penalties on the majority of our loans also means we can help customers through difficult times. They know from the outset that our charges are fixed and will not increase even if they miss a payment or are late repaying their loan.

Above all, the service we provide is professional, friendly and personal. Our research also found that 68% of customers are satisfied with our service.

New flexible products

As a part of our drive to deliver improved customer focus we have decided to roll-out what we call our flexible products. This is an evolution of our traditional product which provides our customers with additional choice and greater transparency by breaking down the price structure into individual elements (for example interest, administration and collection fees) and offering the choice of using our unique home service for repayments or using the traditional banking system. We have already successfully introduced this into Poland and Slovakia and following pilots in all our other markets we have decided to roll it out across all of them in 2009. This new product will replace the existing offering.

Our experiences in Poland and Slovakia clearly demonstrate that the majority of customers prefer the agent to collect their weekly instalments. We believe, however, that the new product offer will be appreciated by our customers and will greatly help others better understand home credit and the constructive role it plays in many people's lives.

We make all of our charges clear at the outset. There are no hidden surprises. The fact that we do not charge default penalties on the majority of our loans also means we can help customers through difficult times.

Customers who say our loan agreements are easy to understand

86%

Customers who say they are satisfied with our service

68%

A resilient business model

Our business success is built on high levels of customer satisfaction and enduring customer relationships. Key to this are agents who are central to our credit management processes and who visit our customers each week to make collections – in 2008 we made around 100 million customer visits.

In 2008, of those customers eligible to take out another loan, around 70% did so.

A resilient business model

Our business model

Over the last 11 years our home credit business model has proved itself to be resilient, flexible and profitable.

Our regular contact with customers through agents allows us to understand their needs and circumstances and to rapidly adjust our lending decisions. Our policy of not charging additional interest or penalty charges on the majority of loans to customers who miss payments allows us to help customers through difficult times. Part of the resilience of our business is also attributable to the short-term nature of its lending. On average we have less than six months of receivables outstanding at any time which means we can change the risk profile of the loan book very quickly. All of this adds up to a business model that is well placed to succeed in the long term and weather economic downturns along the way.

Our philosophy is one of maximising the lifetime value of customers rather than driving volumes and growth in an uncontrolled manner. We believe we are far more likely to grow profitably over the long term if we build sustainable relationships with quality customers. To achieve this we employ a 'low and grow' strategy, which typically involves offering customers a relatively small value first loan (£100 to £200 on average) over a term of less than a year; and only increasing the size and length of the loan when they have demonstrated that they are a good payer.

Credit decisions, supported by our powerful suite of credit management tools, are based primarily on the customer's ability to repay, taking into account all of their regular income and expenses, and not on the value of their assets – all of our lending is unsecured.

This business model is applied consistently in all of our markets although we have demonstrated our ability to be flexible and modify the model where necessary. Our new flexible products are being rolled out across all markets in 2009.

Agents

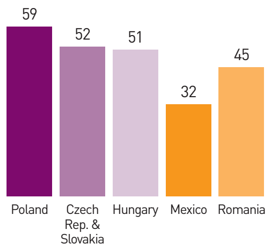
Agents are the linchpin of our home credit model. The face-to-face contact our agents have with customers in their homes each week means we have a unique insight into our customers' circumstances. If customers' circumstances change, for the better or worse, we are able to adapt our lending decisions rapidly, based on the latest information.

There are some 28,900 agents working across the seven countries in which we operate. They are the public face of IPF and are key to ensuring we offer customers a trusted, reliable and professional service. They visit each of our customers every week. In the course of a year our team of agents will make around 100 million customer visits.

The majority of agents are self-employed, although in Hungary local regulation requires that we employ agents.

Generally, agents are able to work as many hours as they choose and often combine their part-time agency work with another job or family commitments. This makes the job very convenient especially as they tend to operate in their own communities. Agents' remuneration is predominantly based on the amounts they collect, not on the volume of customers acquired or loans granted. This promotes responsible lending.

Average loan term by market (weeks)



Our philosophy is one of maximising the lifetime value of customers rather than driving volumes and growth in an uncontrolled manner. We believe we are far more likely to grow profitably over the long term if we build sustainable relationships with quality customers.

A resilient business model

A typical commission structure for an agent would see them receive a small amount for taking on a new customer plus 5% of the value of loan instalments they collect. An established agent will typically receive around 80% to 90% of their income from collections and service around 70 to 100 customers.

Agents play an important role in deciding whether to make a loan and determining the appropriate levels of credit to issue to customers. They are required to document the income and expenditure of the customer before issuing a loan to determine whether the customer has sufficient disposable income to repay the loan. They are supported in this process by our credit management systems, which use statistical models to determine the credit risk of applicants.

When we enter a new market we initially select agents through advertising in the local press or through leaflet distribution. However, in our established businesses, many agents were previously customers who know us and our products well.

New agents complete a structured induction programme, which lasts around three months, and are supervised by one of our field managers. All agents benefit from regular support and guidance, and meet their manager at least once every week. A manager will typically supervise between 10 and 15 agents depending on the number of customers they have.

As part of our Treating Customers Fairly ('TCF') initiative we are developing an Agent Charter which clearly sets out what support they will receive from us and our expectations of them. It also stipulates that they must meet a range of commitments, including health and safety, customer service and responsible lending.

Because agents are collecting and supplying cash to customers, procedures for personal safety are in place.

Credit management systems

Agents are supported in their day-to-day activities by a powerful suite of sophisticated credit management systems. We also have well established processes to enable us to identify customer and agent fraud. These systems mean that we can manage our credit risks carefully and respond quickly to changes in the marketplace.

Corporate responsibility ('CR')

Our values underpin every aspect of our approach to doing business and define the sort of group we want to be.

We strive to be an ethical business, known for treating our customers fairly, for bringing tangible benefits to the communities in which we work and for supporting and developing our employees. We do everything we can to minimise our environmental impacts.

Our Code of Ethics commits us to conducting our business with honesty and integrity and in accordance with the law. We are also committed to respecting human rights and avoiding fraud and corruption. We have a whistle-blowing policy and operate an externally managed hotline wherever we are legally able to do so. We pay suppliers promptly and encourage other people we work with to meet the ethical, social and environmental standards we set ourselves.

Total number of agents

28,900

Percentage of agents who are female

79%

Agents are primarily incentivised for the amounts they collect not for the money that they lend. A typical commission structure for an agent would see them receive a small amount for taking on a new customer plus 5% of the value of loan instalments they collect.

Integrating CR

Our efforts in CR are led from the top. Our Chief Executive Officer, John Harnett, chairs our CR steering committee which formally met twice in 2008. Our international CR working group, the international environment working groups and our Treating Customers Fairly ('TCF') group all report to the steering committee.

Treating Customers Fairly

One core element is aligning our business to the UK Financial Services Authority's TCF principles. We have interpreted what this means for our business and developed our own Customer Principles which were signed off by the board in 2008. These emphasise the customer focus of our business and help us to consider the impacts of our business decisions on our customers. These commit us, amongst other things, to provide customers with simple products designed to meet their needs, keep customers informed, provide clear and well-balanced information, understand their ability to repay loans and help them through difficulties.

Our people

We have HR policies covering non-discrimination, equal opportunities and diversity. We provide employees with safe and comfortable working conditions, learning and development and offer comprehensive terms and conditions both in terms of basic salary and benefits. In 2008, our employees undertook over 175,000 formal training hours (28.9 hours per employee).

Community investment

We focus our community programmes on issues that relate directly to our business. That is why we have chosen to make financial literacy central to our community investment activities. We want to help ensure that customers in our markets have the right knowledge to make informed financial decisions and believe this will be increasingly important in the emerging economies where we want to operate. We invested £0.6 million in our community activities in 2008, representing 0.9% of pre-tax profit. We also have an active volunteering programme which saw nearly 2,000 employees volunteer over 5,800 hours.

Environmental footprint

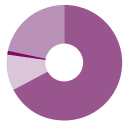
Our environmental management system is based on the international standard ISO14001 and we carry out audits against this standard in every business, every year. We build on the enthusiasm of our employees through a range of environmental volunteering activities and run communications campaigns to support this. As a result of our efforts, our carbon footprint remains steady at 3.04 tonnes/CO_2 per employee, we reduced paper use by 9.5% and increased recycled paper as a percentage of paper purchased from 12% to 15%.

Stakeholder engagement

We believe we can learn a great deal through effective stakeholder engagement. During the year we continued to organise employee and agent forums and to carry out annual engagement surveys. We regularly commission external research into customer opinions in each of our markets. We also ran a stakeholder round table in 2008 to obtain external insight into our TCF strategy and CR reporting.

We work in partnership with a wide range of organisations in all our markets and in 2008 we decided to participate in the UN Global Compact. This is the largest corporate voluntary organisation for CR.

Community investment – by contribution type



Our Customer Principles emphasise the customer focus of our business and help us to consider the impacts of our business decisions on our customers.

Carbon footprint per employee

3.04 tonnes/CO_2

Percentage reduction in paper use

9.5%

A resilient business model

In 2008 IPF was included in the FTSE4Good Index. Although the Group was not large enough by market capitalisation to be invited to participate in the Dow Jones Sustainability Index assessment, we commissioned SAM Research to undertake an external benchmarking assessment against the same criteria. This gave encouraging results regarding our CR performance relative to peers – our overall score was 61% against a peer group average of 38% and a top score of 68%.

You can read a full account of our progress in our 2008 CR Report at http://www.ipfincrreport.co.uk/2008

Improving our core business

Excellence in Execution

We believe that our core home credit model is robust. It has operated successfully in our international markets for 11 years, and in the UK for over 100 years. As we continue to expand our operations in both our new and existing markets, we are seeking new ways to make our business more resilient and more profitable. We recognise the importance to shareholders of minimising the operational risk as we roll-out new branches in new markets and aim to ensure that we execute the model as consistently as possible. If we do this well, shareholders will have greater confidence that, once a pilot has been approved and moved into the development phase which is characterised by an increase in start-up losses, it will move up the J-curve and generate shareholder value.

During 2008 we identified a number of potential performance improvement initiatives that we grouped under the banner of 'Excellence in Execution'. This includes a number of key initiatives geared towards improving the systems we use, developing our employees and agents and making business processes more effective. Our main priorities for 2009 are:

The Home Credit Blueprint

We are now introducing precisely defined and documented operating processes and procedures to ensure that, as we open in new territories or employ new people, we deliver a consistently good service to customers and agents. Review of compliance with this blueprint will be integrated within our internal audit plan from 2009. This also supports our approach to TCF.

Tailored operational management

In the last few years we have significantly improved our credit management and marketing systems. This enables us to segment the performance and potential of all markets, which enables us to devolve more control of the business to local branches. We will tailor our sales, marketing and credit strategies according to the potential and performance of individual branches rather than at country level. We have successfully implemented this approach in Mexico and are now rolling it out in all our markets. We expect this will improve the profit performance of all branches and also narrow the range of performance across branches.

We believe that our core home credit model is robust. It has operated successfully in our international markets for 11 years, and in the UK for over 100 years. As we continue to expand our operations in both our new and existing markets, we are seeking new ways to make our business more profitable.

Rate of agent engagement

66%

Improving the performance of agents

Making small improvements in agent effectiveness can make a significant improvement in the overall performance of the Group. We also know from detailed analysis that the retention of agents and building their levels of experience is a major driver of profit. Clearly the agent is central to us delivering a quality service to our customers. We therefore intend to improve our selection and performance management of agents in all markets during 2009.

People development

Improving engagement and reducing levels of employee turnover can result in significant improvements in operational performance. We also recognise that we need a strong pipeline of potential senior managers who will be able to develop large and profitable new markets. We are developing senior management through a fast-track development programme with participants from all our markets. In 2007 we also began identifying potential leaders within the business and are giving them broad experience of all aspects of the home credit business. Many of our senior managers in Central Europe are taking senior positions in other markets. For example, our country manager in Poland is Hungarian, our second in command in Romania is a Polish national, while one of our two regional managers in Mexico is from the Czech Republic.

New product development

In Poland and Slovakia we have adapted our product structure so that customers can elect to pay for the agent service or to make repayments themselves. Following pilots in all our markets we have decided to roll-out flexible products in 2009. This new product will replace the existing offering.

We have also started our Russian pilot by delivering loans on pre-paid Visa cards. This addresses the cash handling regulations in Russia but could offer attractive opportunities to remove cash from circulation in other markets to reduce fraud and crime risk, along with opportunities to top up customer loans rapidly.

We recognise that we need a strong pipeline of potential senior managers who will be able to develop large and profitable new markets. We are developing new senior recruits through a fast-track development programme with participants from all our markets.

Number of employees on our Leadership Development Plan

69

A resilient business model

Principal risks

Strategic risk	Mitigation
Economic downturn The condition of the economies in which we operate and in particular changes in general levels of unemployment is likely to have a significant impact on business performance. Customers may be less willing to borrow and less able to repay loans. Reduced demand, reduced revenue and increased impairment may result.	We have a resilient business model. Our loan book is short-term, on average just under six months repayments are outstanding, which means we can quickly change the risk-return profile of our lending, and our close customer relationships allow us to rapidly detect, and respond to, changes in customers' circumstances. Credit controls have been tightened, costs reduced and expansion plans in new markets put on hold in the short-term.
Competition Increased competition may reduce market share leading to increased costs of customer acquisition and retention or reduced credit issued, lower revenue and lower profitability.	There are few providers of home collected credit in our markets. Our distinctive operating model engenders high levels of customer satisfaction. Market research is continually undertaken to monitor satisfaction levels, identify usage of other financial products and monitor competitor activity. In addition, this risk has been reduced by diversification of customer acquisition channels, and less competition and reducing costs of media as a result of the economic downturn.
Business development Failure to effectively develop the business and achieve strategic aims because management resources, IT and operational systems or long-term funding prove inadequate or insufficient.	A formal talent development programme aimed at delivering sufficient high-quality managers to meet future plans is in place. The Group has a clear strategy for the development of its IT systems and operational processes. The strategically important development of the Mexican business, proving the ability to bring a large market in a new continent into profit, is progressing well.
Funding Insufficient liquid funds to meet the short-term or strategic requirements of the business. This is particularly relevant following the significant reduction in the general availability of bank and capital markets funding. At extreme this could lead to a breach of banking covenants causing all outstanding facilities to fall due for repayment or the going concern status of the business being called into question.	The business is well capitalised with equity representing 45.1% of net customer receivables. At 31 December 2008 there was headroom of £229.5 million on £663.8 million of syndicated and bilateral banking facilities, of which £422.8 million were extended in October 2008 to October 2011. The remainder expires with various maturing dates before then, the bulk expiring in March 2010. This is forecast to be sufficient bank funding to meet the requirements of the existing markets through to October 2011 but insufficient to allow entry into new territories or the roll-out of operations in the Russian market. We will work to secure additional funding.
Counterparty risk The risk that a key supplier or operational partner ceases to operate. **Banks:** Loss of funding lines or cash balances for withdrawal by agents to use in providing loans to customers are unavailable. **Other:** Business failure of a counterparty such as an IT services outsourcer that causes significant disruption or impact on our ability to operate.	Cash is held only with A3 rated financial institutions. Institutions with lower credit ratings can only be used with full board approval. There are regular risk assessments of other key counterparties. All of the banks who provide us with funding or other services have continued to function.
Currency risk Reported results and related assets and liabilities are at risk of adverse exchange rate fluctuations. Earnings are adversely affected by currency movements.	The foreign exchange rates used to translate the majority of reported earnings within a financial reporting period are hedged. 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 customer net receivables so far as possible. Currently, the capital markets in Romania are not operating effectively with the result that the receivables in this market are partly funded in equity from the Parent Company which is denominated in Sterling.

Strategic risk	Mitigation
Tax risk Adverse changes in, or conflicting interpretations of, the different countries' tax legislation and practice may lead to an increase in the Group's taxation liabilities and effective tax rate.	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.
Financial services regulation and legislation Changes to the regulation of credit or the sale of credit by intermediaries or other laws may impact the operation of the business and/or result in higher costs. Breaches of regulation may result in fines or the withdrawal of operating licences.	We foster open relationships with regulatory bodies and closely monitor developments in all markets in which the business operates, and in respect of the EU as a whole. We work proactively with opinion formers to ensure the businesses are well understood. This is facilitated by membership of the British Chamber of Commerce and/or relevant local trade bodies along with the Consumer Credit Association in the UK. We operate a legal affairs committee to oversee legal risks across the Group and take external legal advice to ensure we remain compliant.
Risk to reputation Our good reputation is adversely affected by ill-informed comment or malpractice. Damage to our brand and customer satisfaction ratings reduces customer demand.	We have an established corporate social responsibility programme. This includes continued investment in community initiatives to foster good relations with customers and the areas in which they live along with the implementation of the FSA's Treating Customers Fairly principles. We have clear operating guidelines to ensure consistency and compliance with Group values. An active communications programme is in place to foster a better understanding of the Group's products.
Credit risk The failure to respond appropriately to changes in the credit risk profile of our target market and existing customer base. Performance not optimised through failure to lend to good quality customers. Increased impairment impacts profitability and staff and agent engagement leading to increased turnover.	We have effective credit management systems in place for evaluating and controlling the risk from lending to new and existing customers. This is supplemented by the weekly contact between our agents and customers allowing a regular assessment of credit risk. Our agents are incentivised to collect not lend. Credit controls were tightened in October 2008 in anticipation of the impact of the downturn in world economies.
Service disruption Day-to-day operations disrupted in the event of damage to, or interruption or failure of, information and communication systems. Failure to provide quality service to customers and loss of data. Disruption of activities increases costs or reduces potential net revenues.	Robust business continuity process, procedures and reporting framework in place to enable us to continue trading in the event of such an occurrence. These are regularly tested and reviewed. Continuous investment in, and development of, IT platforms.
Health and safety The failure to provide an appropriate working environment to our staff and agents. Staff and agents have safety concerns that impact engagement and productivity.	Health and safety policies in place. Formal safety guidance provided to staff and agents as part of induction programme together with ongoing safety awareness refreshers.

Clear growth strategy

Our strategy is clear and simple. We intend to continue to improve the efficiency and effectiveness of our home credit business model and progressively enter and develop new emerging markets when the time is right. We believe this will generate continued, long-term profitable growth.

Our business in Mexico represents a clear growth opportunity.

Clear growth strategy

Growth opportunities
There are substantial growth opportunities in our developing markets of Mexico and Romania, and subject to a successful pilot, our new market Russia.

Developing markets
In Mexico, we estimate that we have achieved around 15% coverage to date. Our current branch coverage reaches about 50% of target customers in the Puebla region and 20% in the Guadalajara region. As yet we do not have a presence in Monterrey, the Northern Borders or Mexico City. Each of the five regions has a population of about 20 million people and each, we believe, can support a customer base of about 750,000. Our focus will be on developing our two existing regions by extending our branch network. If the market develops to plan we will consider opening a further region in 2010.

We currently serve 85,000 customers in Romania but believe we should be aiming for 400,000 customers when the business is mature. We have significantly expanded our branch network and our primary focus in 2009 will be on building customer numbers and revenue from existing branches.

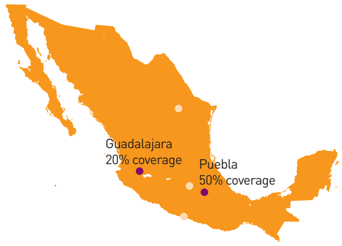
Pilot market
Russia is a large potential market, with a population in excess of 142 million people. We are running a pilot in Russia to test our initial research and build a good understanding of the market. In particular, we are looking to assess customer demand, propensity to repay and the quality of agents and staff.

New markets
Introducing our home credit business to new markets is vital to our long-term development strategy. We constantly monitor and evaluate markets where we think our business will prosper and carefully calculate the right time to make our entry.

We use a rigorous process of research and due diligence to evaluate new markets. This research phase can take 18 months to complete. It is managed by a small internal research team supported by legal and financial specialists and research organisations in the new market. On the basis of this research the board decides whether or not to invest in a pilot operation.

If we believe there is long-term growth potential in a new market, we will then begin to roll-out our operations throughout the country, increasing our branch network, agent workforce and recruiting more customers. Our previous experience has shown that it takes around a further two years for a new operation to become mature and to reach profitability.

Substantial growth opportunity in Mexico



Potential customer base in Romania

0.4m

Population of Russia

142.5m

Clear growth strategy

Detailed market research

Our initial viability tests have identified a number of countries which we see as strong candidates for our business, and we will perform detailed research on the most attractive market opportunities. This will be centred primarily on investigating potential customers' history of, or propensity for, borrowing together with focus groups introducing the home credit model.

Based on this research and using the performance data of all our other markets, we will then assess the size of the target customer base and build a financial model.

In light of the deteriorating global economic climate, we are not planning to open in any new markets in 2009. We are ready to resume our plans when economic conditions improve.

Seven key viability tests

Population	The country must have a population of more than 8 million, bringing some 56 countries into possible consideration. This is because the cost of establishing a head office and control infrastructure in a new market is similar regardless of size, thereby making the returns from smaller markets less attractive.
Legislation	We review relevant local laws to identify whether we would need to make any changes to the operating model to ensure compliance with the law. We also need to be happy that courts uphold the law in practice.
Safety	We need to be sure that all employees and agents will be safe. We would not enter any country where there was civil unrest and we would be cautious about countries with high perceived levels of corruption.
Funding	We need to be sure that we can obtain funding in local currencies. A key strength of our business model is that we borrow and lend in the local currencies.
Individual wealth	We need to establish the basic income levels of the population to make an initial assessment of our potential customer base and the size of loans they would be able to repay.
Economic performance	The local economy must be relatively stable and strong.
Political environment	We look to work in stable, democratic countries, where the rule of law applies. This also helps to ensure we can apply our business principles such as respecting human and labour rights.

Established markets

In addition to further geographical expansion, we believe that there will be opportunities to grow customer numbers and revenues in our established markets.

Attracting new customers

We want to recruit new customers with whom we can build a long-term relationship.

We typically use leaflets, radio and local press to advertise and in established markets we also use TV advertising. Once we are established, many of our customers will come through word of mouth.

In recent years, we have invested in developing our internet marketing capability and the internet is now an increasingly important channel for the business. We have customer facing websites in all our markets, and in Poland last year around 25% of all new contacts at our call centres came through the internet.

Building long-term customer relationships

Our aim is to maximise the lifetime value of customers, building profitability through developing long-term relationships with quality customers who want to take further loans with us.

In setting loan offers, we offer small loans initially and then gradually larger loans as time goes by. The approach is cautious because we want to preserve these relationships and have no interest in burdening customers with debts they cannot repay.

Our research shows that of the customers who are eligible to come back to us for a second loan, around 70% of them actually do so – a very high level of repeat lending.

We use a rigorous process of research and due diligence to evaluate new markets. Our research team adopts seven key viability tests to identify potential new markets.

Number of potential customers contacting our call centre in Poland through the internet

25%

Well financed

We have secured new finance to fund our operations through to October 2011. The fact that we were able to do this during a global liquidity crisis underlines the strength of our business model and our track record. We also have a strong balance sheet with an equity to receivables ratio of 45.1%.

Our Treasurer Nick Dahlgreen, and Krzysztof Adamski, a member of our treasury team, work to secure funding for the business.

Well financed

Funding and overview

A major ingredient in the global credit crunch has been the significant tightening of banks' funding as they seek to repair their balance sheets. This, in turn, has resulted in many corporate borrowers having to renegotiate facilities and in some cases to cease trading.

Against this backdrop, we were delighted to extend successfully £422.8 million of our bank facilities by 18 months, underlining the excellent support we continue to enjoy from our main banking partners. This provides the core funding for our existing operations through to October 2011. There were no changes in financial covenants and the margin increased by 90 bps to 225 bps above the local reference rate.

In total, we have some £663.8 million of bank facilities with significant headroom. At 31 December 2008, these facilities were only 65% drawn, with outstanding borrowings of £434.3 million. Importantly, these facilities are denominated in the same local currencies in which we lend to our customers.

The indications are that the major economies, including our markets, will continue to experience a sharp slowdown in the year ahead. This means that we expect liquidity and bank funding to remain in scarce supply and that securing additional funding will continue to be extremely difficult. Our focus in the coming year will be to maintain the strong relationships we have with our banking partners and to continue to examine a range of options for securing new funding as and when the markets start to reopen.

The fact that we were able to extend our facilities during the current global liquidity crisis reflects the strength of the business and in particular:

- a strong trading performance, with profit before tax increasing by 40.3% to £70.3 million and earnings per share increasing by 44.5% to 19.73 pence;
- a strong balance sheet with equity at 45.1% of receivables and gearing, calculated as borrowings divided by equity, low at 1.7 times. We borrow over long periods, usually over three years, and lend to customers short-term, usually for a year or less;
- established businesses which are generating cash and capital. This means that our profitable Central European markets can help us to fund growth in our pilot and developing markets while they move up the J-curve; and
- a resilient business model with short-term lending to customers meaning that customers repay their outstanding balances quickly, with the average period to maturity of receivables less than six months at any point in time.

David Broadbent
Finance Director

Core funding in place to 2011

Equity to receivables ratio

45.1%

Gearing

1.7 times

Headroom on committed bank facilities

£229.5m

Well financed

J-curve

When we open a new market we incur losses as we conduct the initial 12 to 18 month pilot-test. Then, if the pilot is successful, we see increased losses for a further one to two years as we build up the infrastructure of branches and offices, put our country team in place, establish the agent sales force and recruit customers. The reason losses increase as we develop in a new market is because we incur the costs of opening new branches. A good example of this was Romania this year, when we increased our branch infrastructure from 7 to 16 and losses increased from £4.2 million in 2007 to £7.8 million in 2008.

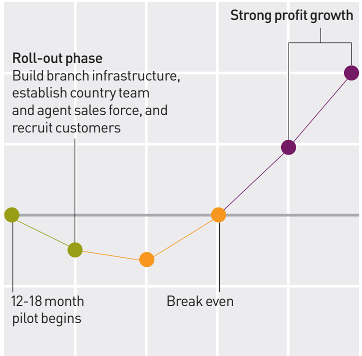
We would then expect losses to reduce as we move to break even and a consistent pattern of strong profit growth thereafter. Our developing markets of Mexico and Romania have both moved out of the pilot phase and are following a similar J-curve pattern.

Mexico incurred its year of peak start-up losses in 2007, with a much reduced loss in 2008 and it is on track to report its maiden profit in 2009. Our Romanian operation is following a similar trend, with 2008 being the year of peak losses. We expect much reduced losses in 2009 and remain on course to reach profitability in 2010.

The J-curve pattern happens every time we open a new branch. We establish the branch office, recruit field managers and then recruit and train agents. This incurs branch start-up losses and, only once we have done this, can we start recruiting customers, issue loans and start generating revenues. All in all, it takes around 12 months for a new branch to move into profit.

All of IPF's operations have developed organically and their results have also followed a consistent J-curve pattern. Our core Central European operations followed the J-curve and have shown solid, steady growth since moving into profit.

The J-curve



Our markets on the J-curve

*Poland established 1997, maiden profit achieved 2001.

Czech Republic established 1997, maiden profit achieved 2000.

Hungary established 2001, maiden profit achieved 2004.

Slovakia established 2001, maiden profit achieved 2006.

Financial review

This has been another successful year for IPF. We have delivered a strong set of results with an increase in profit before tax of over 40%. While the difficult economic environment continues to exist, we are confident that we are well placed to meet these challenging times.

2008 results

We reported good results for 2008 with profit before tax increasing by 40.3% to £70.3 million (2007: £50.1 million). This reflected a strong performance in all our markets:

- profit in Central Europe increased by 31.5% to £106.0 million, surpassing our original medium-term objective of £95 million. This reflected underlying profit growth of 14.5%, after adjusting for foreign exchange and releases of impairment provisions;
- Mexico reduced losses by £4.6 million to £8.7 million, maintained good credit quality and is now well placed to make a profit in 2009;
- as expected, Romania reached its peak year of start-up losses with a loss of £7.8 million. This is expected to reduce significantly in 2009 and we are still on track for profit in 2010; and
- the Russian pilot started successfully with an initial investment in start-up losses of £6.0 million.

A summary of the Group's results and further analysis is set out in the Chief Executive Officer's review.

Taxation

The taxation charge for the year was £19.7 million (2007: £15.0 million) which represents an underlying effective rate of 28.0% (2007: 29.9%). We expect the Group's effective rate of taxation to remain at around 28.0% in 2009. Further analysis of the tax charge is included in note 5 to the financial statements.

Established markets returns

Earnings per share

26.04p

Return on equity

31.7%

Capital generated*

£61.5m

*Based on 45% equity: receivables.

Cash generated

£45.9m

Well financed
Financial review continued

Shareholder returns
Earnings per share
Earnings per share ('EPS') increased by 44.5% to 19.73 pence. An analysis of EPS by market is set out below.

	2008 pence	2007* pence
Central Europe	**29.74**	21.95
UK – central costs	**(3.70)**	(3.40)
Established businesses	**26.04**	18.55
Mexico	**(2.44)**	(3.62)
Romania	**(2.19)**	(1.14)
Russia	**(1.68)**	(0.14)
EPS	**19.73**	13.65

*On a pro forma basis.

Return on equity
The Group increased its return on equity in 2008 from 19.8% to 21.9% with the return on equity of established markets increasing from 28.7% to 31.7% offset by additional investment into our developing markets. For this calculation equity, which represents over 45% of receivables, is allocated between established markets and developing markets on the basis of receivables, with central costs being allocated to Central European receivables.

Dividend
The directors are recommending a final dividend of 3.40 pence per share which will bring the full year dividend to 5.70 pence, an increase of 19.3% compared to 2007. Further details of the dividend payable are given in note 7 to the financial statements and in the information for shareholders section of this report.

Balance sheet
The Group's balance sheet as at 31 December 2008 is set out in the financial statements and is summarised below:

Summary balance sheet

	2008 £m	2007** £m	Change %	Change at CER %
Fixed assets	**69.9**	59.5	17.5	5.8
Receivables	**574.4**	443.2	29.6	8.1
Cash	**62.2**	88.8	(30.0)	(36.9)
Borrowings	**(434.3)**	(370.8)	(17.1)	1.1
Other net liabilities	**(13.4)**	(17.1)	21.6	(5.3)
Equity	**258.8**	203.6	27.1	5.9
Equity to receivables	**45.1%**	45.9%		
Gearing	**1.7x**	1.8x		
Headroom on facilities	**£229.5m**	£208.6m*		

*At constant exchange rates.
**On a pro forma basis.

The key balance sheet ratios remain strong with equity at 45.1% of receivables and gearing at 1.7 times. Headroom on facilities increased to £229.5 million due to a small increase in the level of facilities available and a repayment of borrowings in the period.

A reconciliation of the movement in equity from 2007 to 2008 is included in note 26 of the financial statements. The underlying increase of 5.9% represents the post-tax profit of the Group offset by dividends payable, the purchase of shares for the employee trust and a loss on perfectly hedged derivative contracts as well as other small movements.

Receivables and our prudent provisioning methodology
An analysis of the receivables balance by market is included in note 14 of the financial statements. Receivables at 31 December 2008 increased by 8.1% to £574.4 million. The average period to maturity of the receivables book was 5.3 months (2007: 5.4 months) reflecting the short-term nature of our lending. From the total receivables book of £574.4 million, 96.1% is due within one year.

The receivables book is valued by discounting the expected future cash flows in respect of outstanding customer loans by the relevant effective interest rate. The expected future cash flows are adjusted to take account of our expectation of future credit losses based on the age of the debt, the number of missed payments and the historical performance of similar loans.

The following factors are relevant when considering how we provide for impairment against customer receivables:

Weekly assessment – we review customers' collections every week and as soon as a customer misses a payment or any part of a payment then the expected future cash flows are reassessed and we make a provision against the outstanding balance.

Third party developed actuarial models – the expected future cash flows are derived from actuarial models which have been developed by an external actuarial firm and have been proved to be very predictive. Separate models exist for each product in each country, other than in Romania and Russia where there is insufficient customer credit history.

Regular formal review of provisions – the actuarial models used to derive the expected future cash flows are regularly reviewed to ensure they reflect current performance. During 2008 we formally reviewed or updated the models used to value around 75% of our receivables book.

Our prudent approach to provisioning means that a significant proportion of receivables reflects some level of impairment charge; 71.7% of receivables as at 31 December 2008 were classed as impaired (2007: 73.0%). No receivables were past due but not impaired either at the end of 2008 or 2007.

Funding
As a business we lend short and borrow long. The average period of outstanding receivables was 5.3 months with 96.1% of receivables due in less than one year whereas the average maturity period of our borrowings was 2.3 years with 94.2% of borrowings due in over one year.

Type and maturity profile of the Group's facilities

	Less than one year £m	One to two years £m	Two to five years £m	Total £m
Short-term facilities	38.2	–	–	**38.2**
Syndicated multi-currency facilities	–	172.2	357.0	**529.2**
Other bilateral facilities	–	15.0	81.4	**96.4**
	38.2	187.2	438.4	**663.8**
Borrowings				**434.3**
Headroom				**229.5**

The core funding of the Group is in place to October 2011 and this is sufficient to fund our planned growth of existing operations until then.

We also have good headroom on our bank covenants. An analysis of performance compared with the covenants attached to the Group's borrowing facilities is set out below:

	2008	2007
Net assets must exceed £125m*	**£273.0m**	£201.9m
Gearing must not exceed 3.75 times*	**1.6**	1.8
Receivables must exceed 1.1 times borrowings	**1.3**	1.2
Interest cover must exceed 2 times	**3.5**	3.4

*Adjusted for derivative and pension liabilities.

Cash flows

The Group's cash flow statement is included in the financial statements. An analysis of the cash generated from operations and the net cash used in operating and investing activities is presented below:

	2008 £m	2007 £m
Cash generated from operations		
Established businesses	**105.5**	71.2
Start-up businesses	**(39.8)**	(22.2)
Exceptional demerger costs	**–**	(3.9)
	65.7	45.1
Net cash used in operating and investing activities		
Established businesses	**45.9**	7.3
Start-up businesses	**(51.2)**	(34.7)
Exceptional demerger costs	**–**	(3.9)
	(5.3)	(31.3)

The Group generated £65.7 million of cash from its operational activities with £105.5 million being generated by our established businesses. After taking into account the cost of financing, tax paid and the cost of investing in property, plant and equipment, our established businesses generated £45.9 million of cash which, combined with some utilisation of the cash balance at 2007, was used to fund our start-up businesses, dividend payments, share purchases and repayment of borrowings.

Hedging

During 2008 we benefited from favourable movements in foreign exchange rates, particularly within Central Europe. Our policy is to hedge the foreign exchange rates at which we translate our reported results but only within a financial reporting period. We economically hedged a large proportion of our 2008 overseas profits in January and May of 2008.

In January 2009 we entered into further contracts to hedge the majority of our forecast profits for Central Europe for 2009. The exchange rates in these contracts are approximately 4% more favourable than the rates used to translate 2008 profits. The table below shows the average exchange rates, including the impact of hedging, for the relevant reporting periods, closing exchange rates at the relevant period ends, together with the rates at which the Group has contracts in place for 2009.

	Hedged rate 2009	Average rate 2008	Closing rate 2008	Average rate 2007	Closing rate 2007
Poland	4.5	4.5	4.3	5.4	4.9
Czech Republic	29.1	32.9	27.9	39.6	36.0
Slovakia	33.1	40.9	31.5	48.5	45.7
Hungary	304.7	329.5	274.8	359.2	343.1
Mexico	n/a	21.3	20.1	21.8	21.7
Romania	n/a	4.7	4.2	4.9	4.9
Russia	47.5	45.4	42.5	n/a	n/a

The Group also hedges the interest costs on its borrowings by entering into derivative contracts. Our policy is to ensure that above 70% of the Group's forecast interest costs for the next 12 months will be fixed.

Going concern

The directors have reviewed the budget for the year to 31 December 2009 and the forecasts for the four years to 31 December 2013 which include projected profits, cash flows, borrowings and headroom against facilities. The committed bank facilities of the Group are sufficient to fund the planned growth of our existing operations until October 2011. Taking these factors into account the directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason they have adopted the going concern basis in preparing these financial statements.

David E S Broadbent
Finance Director

Governance
Our board and committees

Christopher Rodrigues CBE
Non-Executive Chairman, age 59

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

Qualifications: Graduated in Economics and Economic History and has an MBA.

Other appointments: Chairman of VisitBritain and non-executive director of Ladbrokes plc.

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

John Harnett
Chief Executive Officer, age 54

John joined the board of International Personal Finance plc in 2007 and served as Chief Operating Officer until October 2008 when he was appointed Chief Executive Officer.

Qualifications: Graduated in Business Studies and is a chartered accountant.

Previous appointments: Finance Director of Holliday Chemical Holdings plc, Finance Director of Allied Colloids PLC and Finance Director of Provident Financial plc, later Managing Director of its International Division.

David Broadbent
Finance Director, age 40

David joined the board of International Personal Finance plc as Finance Director in 2007.

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

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

Ray Miles
Deputy Chairman and senior independent director, age 64

Ray was appointed as a non-executive director in 2007 and serves as Deputy Chairman and senior independent director.

Qualifications: Graduated in Economics and has an MBA.

Other Appointments: Chairman of Southern Cross Healthcare Group plc, advisory director of Stena AB of Sweden and Chairman of Devon Community Foundation.

Previous Appointments: Chief Executive of CP Ships Limited and non-executive director of Provident Financial plc.

Charles Gregson
Independent non-executive director, age 62

Charles was appointed as a non-executive director of the Company in 2007.

Qualifications: Graduated in History and Law and qualified as a solicitor.

Other Appointments: non-executive Chairman of ICAP plc and Chief Executive of PR Newswire Association Inc.

Past Appointments: Director of United Business Media plc, non-executive director and Deputy, later Joint Deputy, Chairman of Provident Financial plc.

Tony Hales CBE
Independent non-executive director, age 60

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

Qualifications: Graduated in Chemistry.

Other Appointments: Chairman of British Waterways and Workspace Group plc and a non-executive director of SIS Group Limited.

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

Nick Page
Independent non-executive director, age 56

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

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

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

Audit and Risk Committee
Nick Page (Chairman)
Tony Hales
Ray Miles

Remuneration Committee
Ray Miles (Chairman)
Tony Hales
Nick Page

Nomination Committee
Christopher Rodrigues (Chairman)
Charles Gregson
Tony Hales
John Harnett
Ray Miles
Nick Page

Executive Committee
John Harnett (Chairman)
David Broadbent

Disclosure Committee
John Harnett (Chairman)
David Broadbent
Rosamond Marshall Smith

Our senior management team

Balázs Pap
Country manager – Poland

Balázs joined the international team in Hungary in April 2001 as operations manager. He progressed to operations director in 2003, and was appointed as country manager of Hungary in 2006. In February 2008 he became country manager of Poland. Before joining the team he held positions at GE and Citibank.

David Parkinson
Country manager – Czech Republic and Slovakia

David joined the international team in 2003 as field development manager and was appointed as country manager of the Czech Republic and Slovakia in January 2008. He previously served as head of communications, head of training and head of agent support at Provident Financial plc's UK home credit division.

Botond Szirmak
Country manager – Hungary

Botond joined the international team in Hungary in February 2002 as a development manager, moving to area manager, regional operations manager and divisional operations manager. He was appointed operations director in 2006 and in February 2008 he became country manager of Hungary.

Kenny McPartland
Country manager – Mexico

Kenny joined the international team in 1998 as field development manager in the Czech Republic. He was appointed country manager of Slovakia in 2001 and moved to be country manager of the Czech Republic in 2003. He took charge of both countries in January 2006. In January 2008 he was appointed country manager of Mexico. He previously held various operational roles within the UK home credit division of Provident Financial plc.

Russell Johnsen
Country manager – Romania

Russell joined the international team in 1997 and played a key role in establishing our businesses in Poland and the Czech Republic. In 2007 he joined Provident Mexico as Business Development Director. He was appointed country manager of Romania in February 2009. He previously held various field-based management roles within the UK home credit division of Provident Financial plc.

Chris Wheeler
Country manager – Russia

Chris joined the international team in June 2001, working in operations in the Czech Republic, Slovakia and Poland. In 2005 he moved to Mexico to lead the expansion into the Guadalajara region and in January 2008 was appointed country manager of Russia. He previously held various management positions within the UK home credit division of Provident Financial plc.

Fred Forfar
New markets

Fred joined the international team as Development Director in 2003. He is responsible for identifying, researching and setting up new country opportunities and for managing the portfolio of new markets. He previously served as HR director, marketing and commercial director, and deputy managing director of the UK home credit division of Provident Financial plc.

Catherine Gardner
Human resources

Catherine joined the international team in 2000 as director of human resources having previously worked for a variety of companies, including PricewaterhouseCoopers, ASDA and House of Fraser Stores. She is responsible for the development and implementation of an effective HR strategy for the business.

Nick Illingworth
Operations

Nick joined the international team in 2001. He is responsible for improving the effectiveness and efficiency of field operations in all markets. He previously worked for Provident Financial plc in an accounting capacity before transferring to Provident Insurance as operations director.

John Mitra
Marketing and communications

John joined the international team in 2004 as marketing and communications director having previously worked for global companies including Rothmans, Sheaffer and Bic International. He is responsible for developing the marketing and communications strategy for the business.

John Saville
Information technology

John joined the international team in 2007 as director of information technology ('IT'), having previously worked for companies including HBOS, Telewest, Vodafone, Cable & Wireless and Lehman Brothers. John is responsible for all aspects of IT across the Group.

John Williams
Credit and risk

John joined the international team in 2005 as director of credit having previously worked for companies including GUS plc, The Associates, and Marks & Spencer. His role includes managing all aspects of credit risk across all markets.

Governance
Directors' report and business review: Other information

Directors' interests
The notifiable interests of each director (and his connected persons) under the Disclosure and Transparency Rules issued by the Financial Services Authority are as follows:

Name	Number of shares at 31 Dec 2008	Number of shares at 31 Dec 2007
Christopher Rodrigues	**218,562**	187,888
John Harnett	**163,071**	163,071
David Broadbent	**10,000**	10,000
Charles Gregson	**58,187**	51,837
Tony Hales	**25,000**	25,000
Ray Miles	**211,226**	109,000
Nick Page	**50,674**	26,135

There were no changes in these interests between 31 December 2008 and 16 March 2009.

Details of contingent awards of shares to directors are set out in the sections on the Incentive Plan and the Exchange Scheme in the directors' remuneration report.

No director has notified the Company of an interest in any other shares, transactions or arrangements which requires disclosure.

Directors' indemnities
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 2008 or at any time up to 16 March 2009.

Directors' conflicts of interest
To take account of the Companies Act 2006, the directors have adopted a policy on conflicts of interest and established a register of conflicts. The directors consider that these procedures have operated effectively since their introduction on 1 October 2008.

Authority to allot shares
As at 31 December 2008, the directors had authority to allot further securities up to an aggregate nominal amount of £8,488,000. Further authorities will be sought at the forthcoming annual general meeting ('AGM').

Equity incentive schemes
The Company operates four equity incentive schemes. Further details of these and 2008 grants are set out in the directors' remuneration report. The schemes are as follows:

Scheme	Abbreviated name	Eligible participants
The International Personal Finance plc Incentive Plan	The Incentive Plan	Executive directors and the most senior managers
The International Personal Finance plc Performance Share Plan	The Performance Share Plan	Senior managers
The International Personal Finance plc Exchange Share Scheme 2007	The Exchange Scheme	Executive directors and senior managers who held options under the Provident Financial Executive Share Option Scheme 2006
The International Personal Finance plc Employee Savings-Related Share Option Scheme	The SAYE Scheme	Executive directors and UK employees

Details of awards made in 2008 are as follows:

Scheme	Date of grant	Number of shares	Exercise price (if any)	Normal exercise/vesting date
Incentive Plan	10 Mar 2008	To be determined*	£nil	16 Jul 2010**
Incentive Plan	22 Oct 2008	To be determined*	£nil	16 Jul 2010**
Performance Share Plan	10 Mar 2008	526,874	£nil	16 Jul 2010**
Performance Share Plan	31 Jul 2008	282,286	£nil	16 Jul 2010**
SAYE Scheme	02 Apr 2008	296,957	188p	01 Jun 2011-01 Jun 2015***

Details of outstanding awards are as follows:

Scheme	Awards exercised/vested	Awards outstanding at 31 Dec 2008	Exercise price (if any)	Normal exercise/vesting date	Awards exercised/vested from 1 Jan to 16 Mar 2009
Incentive Plan	None	To be determined*	£nil	16 Jul 2010**	None
Performance Share Plan	None	1,951,129	£nil	16 Jul 2010**	None
Exchange Scheme	7,754	357,626	£nil	01 Jun 09 / 07 Jun 2009	None
SAYE Scheme	None	288,278	188p	01 Jun 2011-01 Jun 2015***	None

*The number of shares comprised in the awards will be calculated at the conclusion of the performance period on 16 July 2010.
**Half of the shares that vest are not released for a further year.
***Vesting dates vary depending on whether the employee chose a three, five or seven year savings contract.

Authority to purchase shares

The Company had authority to purchase up to 25,721,700 of its own shares up until the earlier of the conclusion of the next AGM and 13 May 2009. No shares were purchased pursuant to this authority. Any ordinary shares so purchased may be cancelled or held in treasury. A further authority for the Company to purchase its own shares will be sought from shareholders at the AGM.

Share capital information

As at 31 December 2008, the Company's authorised share capital was £50,150,002 divided into 501,500,020 ordinary shares of 10 pence each. On 31 December 2008 there were 257,217,888 ordinary shares in issue. No shares were issued during the year. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or non-certificated form.

The rights and obligations attaching 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. 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 Memorandum and Articles of Association. For example, the Articles 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 following:

The board may refuse to register the transfer of:

a) a partly-paid share;

b) an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 2001; and

c) 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.

Shares to be acquired through the Company's share plans rank pari passu with the shares in issue and have no special rights. The Company operates an employee trust with an independent trustee, Appleby Trust (Jersey) Limited, to hold shares pending employees becoming entitled to them under the Company's share incentive plans. On 31 December 2008 the trustee held 4,000,000 shares in the Company. The trust waives its dividend entitlement and abstains from voting the shares at general meetings.

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 and the ability of a lender to cancel its commitment and for outstanding amounts to become due and payable.

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. However, provisions in the Company's share incentive plans may cause awards granted to directors and employees to vest on a takeover.

Interests in voting rights

As at 16 March 2009, the Company had been notified, pursuant to the Disclosure and Transparency Rules, of the following notifiable voting rights in its issued share capital. These holdings relate only to those institutions which have notified the Company of an interest in the issued share capital.

Name	Shares	% of issued share capital	Nature of holding
Schroder Investment Management Limited	27,473,340	10.68%	Direct and indirect
BlackRock Investment Management (UK) Limited	13,670,132	5.31%	Indirect
Legal & General Group Plc	12,970,255	5.04%	Direct and indirect
Baillie Gifford & Co	12,784,320	4.97%	Direct and indirect

Governance

Directors' report and business review: Other information continued

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 trade creditors at 31 December 2008. The average number of days' credit taken by the Group during the year was 10 days (2007: 14).

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 the 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 by what they collect.

Certain Group companies have entered into agreements with Hughes Network Systems Limited, Mastek UK Limited, Fujitsu Services Limited and Grupo Xertix S.A. de C.V. in relation to IT services provided to the Group.

The Group's Hungarian subsidiary operates its credit granting activities under licence from PSZAF (the Hungarian Financial Supervisory Authority). 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 Russian subsidiary is a bank which is regulated by the Central Bank of Russia.

Environmental, social and governance matters

During the year, the Company and its subsidiaries made donations of £68,000 for charitable purposes (as defined in paragraph 5 of Schedule 7 of the Companies Act 1985). The Group invested a further £572,000 in cash, employee time and in-kind contributions to charitable and community investment organisations. The Group's community data is reported in line with the London Benchmarking Group methodology and is independently assured by the Corporate Citizenship Company. No political donations were made.

The board takes regular account of the significance of environmental, social and governance ('ESG') matters to the Group. ESG risks are dealt with via the Company's risk management process. Details of this are set out in the Internal control and risk management section of the corporate governance statement.

The board has identified and assessed the significance of ESG risks to the Company's short and long-term value as part of the risk management procedures. 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, John Harnett.

Key ESG issues for the business that impact upon its stakeholders are: corporate reputation; social or financial exclusion; ensuring work with communities is relevant; and attracting skilled and well motivated labour. Failure to be seen to trade responsibly and failure to gain the necessary approvals to trade from regulators could adversely affect the Company's reputation and share price.

Adequate information is received by the board to make an assessment of key ESG issues. Corporate affairs activity, health and safety and people management issues were all discussed at board meetings in 2008. The corporate responsibility ('CR') steering committee also reports formally to the board at least once a year. Details of training for directors are set out in the Training section in the corporate governance statement.

There are a range of appropriate corporate standards, policies and governance structures covering all operations. Compliance with corporate policies is confirmed formally by means of a self-certification process once a year and is reported to the board. Further details can be found in the corporate governance statement.

The community and environmental data is externally verified. The environmental management system is also subject to an annual independent internal audit against the requirements of ISO 14001. The Group is working towards external assurance against the International Standard on Assurance Engagements (ISAE3000) for CR reporting and has been working with an independent company on this during 2008. This work will continue through 2009.

The remuneration committee is able to consider performance on ESG issues when setting the remuneration of executive directors and, where relevant, ESG matters are incorporated into the performance management systems and remuneration incentives of local business management. When setting incentives the remuneration committee takes account of all implications, including the need to avoid inadvertently motivating inappropriate behaviour.

In 2008, executive directors were given specific objectives relating to ESG issues for the purposes of the annual bonus scheme: these related to employee engagement, talent management and development of employees. Details of the bonus scheme are set out in the Bonuses section of the Statement of the Company's policy on directors' remuneration in the directors' remuneration report.

Full information on specific ESG matters, and how these are managed, can be found in the 2008 Corporate Responsibility report at www.ipfincrreport.co.uk/2008.

Health and safety
The Group attaches great importance to the health and safety of its employees, agents and other people who may be affected by its activities.

The board has approved a Group health and safety policy and a framework for health and safety. It has established a health and safety steering committee which is chaired by the Company Secretary. This committee reports annually to the board by means of a written report. Each subsidiary board is responsible for the issue and implementation of its own health and safety policy as it affects the subsidiary company's day-to-day responsibility for health and safety. Health and safety is considered regularly at board meetings and each board produces a written report for the health and safety steering committee once a year.

Corporate governance statement
Full details of the Company's approach to corporate governance and the compliance statement are set out in the corporate governance statement which forms part of this report.

Directors' responsibilities in relation to the financial statements
This statement, which should be read in conjunction with the independent auditors' report, is made to distinguish for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The directors are required to prepare the financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. They are also required to ensure that the financial statements comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS regulation. Such financial statements should present fairly for each financial year the financial position, financial performance and cash flows of the Company and the Group.

The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect material fraud and other irregularities.

The Annual Report and Financial Statements 2008 will be published as a printed report and on the Company's website. The maintenance and integrity of the International Personal Finance website is the responsibility of the directors and the work carried out by the auditors does not involve consideration of these matters.

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; John Harnett, Chief Executive Officer; David Broadbent, Finance Director; Charles Gregson, non-executive director; Tony Hales, non-executive director; Ray Miles, non-executive director; and Nick Page, non-executive director.

To the best of each director's knowledge:

a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

b) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to the auditors
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 auditors are unaware; and he has taken all the steps that ought to have been taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the AGM.

Annual general meeting
The AGM will be held at 10.30 am on Wednesday, 13 May 2009 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 31 March 2009.

Approved by the board on 23 March 2009.

Rosamond Marshall Smith
General Counsel & Company Secretary

23 March 2009

Governance

Corporate governance statement

Introduction

This statement explains how the Company applied the principles set out in Section 1 of the Combined Code published by the Financial Reporting Council in June 2006 ('the Combined Code') in the financial year ending on 31 December 2008. The statement of compliance is at the end of this statement.

The board

Members and attendance

The board leads and controls the Company. The members and their attendance at board meetings in 2008 were as follows.

Name	Number of meetings	Number attended
Christopher Rodrigues (Chairman)	9	9
John Harnett (Chief Executive Officer)	9	9
David Broadbent (Finance Director)	9	9
Charles Gregson (Non-executive director)	9	8
Tony Hales (Non-executive director)	9	9
Ray Miles (Non-executive director)	9	8
Nick Page (Non-executive director)	9	9

In addition to its board meetings, the board held a strategy retreat in April 2008 which was attended by all the directors.

Governance

The board has a formal schedule of matters specifically reserved to it for decision. These include corporate strategy, approval of budgets and financial results, new board appointments, proposals for dividend payments and the approval of all major transactions.

The board has approved a statement of the division of responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for chairing board meetings and monitoring their effectiveness and chairing the annual general meeting ('the AGM') and nomination committee. 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 will delegate accordingly.

There are five principal board committees. Their written terms of reference are available on the Company's website (www.ipfin.co.uk) and from the Company Secretary.

Chairman

The Chairman is also Chairman of VisitBritain and a non-executive director of Ladbrokes plc. Since the beginning of 2009 he has been acting Chief Executive of VisitBritain on a temporary basis.

Non-executive directors

The non-executive directors have been appointed for a fixed period of three years. The initial period may be extended for a further period, subject to re-election by shareholders. 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 Combined Code.

Ray Miles, the senior independent director, is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer and Finance Director has failed to address or for which such contact is inappropriate.

Re-election of directors

Under the Company's Articles of Association, each director must offer himself for re-election every three years. After nine years a director, other than an executive director, must offer himself for re-election annually. A director who is initially appointed by the board is subject to election at the next AGM.

Policy on other board appointments

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

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

Performance evaluation

The board has carried out an evaluation of its performance and that of its committees and individual directors in 2008. The Chairman was primarily responsible for this evaluation. Directors completed a questionnaire on different aspects of the board and its committees and the performance of individual directors. The senior independent director was responsible for collating comments on the Chairman's performance. A summary of the evaluation was presented to the board which considered the results of the evaluation.

Company Secretary and independent advice
All directors are able to consult with the Company Secretary. The appointment and removal of the Company Secretary is a matter for the board. The Company Secretary is secretary to the five principal board committees. There is a formal procedure by which any director may take independent professional advice at the Company's expense relating to the performance of his duties.

Meetings
Seven board meetings and a strategy retreat are scheduled for 2009. A detailed agenda and a pack of board papers are sent to each director a week before each meeting so he has sufficient time to review them. Additional meetings are convened if required and there is contact between meetings where necessary. The Chairman has held sessions with the non-executive directors without executive directors present, and the non-executive directors have met without the Chairman.

Training
The Company's policy is to provide appropriate training to directors, taking into account their individual qualifications and experience, including environmental, social and governance training as appropriate.

Report on the audit and risk committee
Members and attendance
The members and their attendance at committee meetings in 2008 were as follows:

Name	Number of meetings	Number attended
Nick Page (Chairman)	6	6
Tony Hales	6	6
Ray Miles	6	5

In addition to the members, at the invitation of the committee, meetings are attended by both the internal and external auditors as required and by the Finance Director and the director of risk and compliance. The committee has a session at meetings with the internal and external auditors without an executive director or member of the Company's senior management being present.

Remit
Its remit is:

- to make recommendations to the board, for the board to put to shareholders in general meeting, in relation to the appointment of the external auditors, PricewaterhouseCoopers ('PwC'), and the internal auditors, Ernst & Young, and to approve their terms of appointment;
- to review and monitor the objectivity of the external auditors and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services;
- to 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 judgments contained in them;
- to keep under review the effectiveness of the Group's system of internal controls, including operational and compliance controls and risk management;
- to keep under review the Group risk register and to consider the most important risks facing the Group and their mitigation; and
- to keep under review the Group's whistle-blowing policy.

Work in 2008
During 2008 the committee:

- reviewed an internal audit activity report at each meeting and considered 13 reports on specific areas of the business;
- considered a report by PwC on the results of its audit work (February) and considered a review by PwC of the financial information in the half-year report (July);
- received a presentation from PwC on the audit strategy for 2009 and agreed this (October);
- agreed the internal audit plan for 2009 – this provides broad coverage of the business activities and includes reviews in each of the countries, together with the key corporate functions in the UK (December);
- reviewed the Group risk register and considered the top risks facing the Group and their mitigation;
- received presentations on different areas of the business from senior managers and considered the internal controls/risks; and
- decided to establish internal audit functions in all the businesses under the direction of the director of risk and compliance.

Independence of auditors
The committee is conscious of the need to ensure that the external auditors are, and are perceived to be, independent and has taken various steps to seek to ensure that this is and remains the case.

Governance

Corporate governance statement continued

PwC provides a letter of independence for the committee to consider once a year.

The committee has adopted a policy on the appointment of employees from the auditors to positions within the various Group finance departments. This prevents key members of the audit engagement team from being employed as Finance Director or in certain other senior Group finance roles.

The committee has adopted a policy on the use of the external auditors for non-audit work.

- The award of non-audit work to the auditors is managed in order to ensure that the auditors are able to conduct an independent audit and are perceived to be independent by the Group's shareholders and stakeholders.
- The performance of non-audit work by the auditors is minimised and work is awarded only when, by virtue of their knowledge, skills or experience, the auditors are clearly to be preferred over alternative suppliers.
- The Group maintains an active relationship with at least two other professional accounting advisers.
- No information technology, remuneration, recruitment, valuation or general consultancy work may be awarded to the auditors without the prior approval of the Chairman of the audit and risk committee, such approval to be given only in exceptional circumstances.
- The Chairman of the committee must approve in advance any single award of non-audit work with an aggregate cost of £125,000 or more.
- The auditors may not perform internal audit work.
- The committee keeps under review the non-audit work carried out by PwC. Fees paid to PwC in 2008 are set out in note 4 of the notes to the financial statements.

Report on the nomination committee

Members and attendance

The members and their attendance at committee meetings in 2008 were as follows:

Name	Number of meetings	Number attended
Christopher Rodrigues (Chairman)	2	2
John Harnett	2	2
Charles Gregson	2	2
Tony Hales	2	2
Nick Page	2	2
Ray Miles	2	2

Remit

Its remit is:

- to assist the board in the process of the selection and appointment of any new director and to recommend the appointment to the board; and
- to keep under review the size, structure and composition of the board and succession.

Work in 2008

The committee has kept the size, structure and composition of the board under review and recommended to the board the change in board structure which was implemented on 22 October 2008.

Report on the remuneration committee

Full details of the composition and work of the remuneration committee are contained in the directors' remuneration report, which also contains details of the Company's equity incentive schemes.

Report on the executive committee

For most of the year this committee consisted of David Broadbent and John Harnett under the chairmanship of Christopher Rodrigues. On 16 December 2008 Christopher Rodrigues ceased to be a member of the committee and John Harnett became Chairman. Its remit is to deal with those matters specifically reserved to it for decision which primarily relate to the day-to-day running of the Group.

Report on the disclosure committee

This committee consisted of David Broadbent and Rosamond Marshall Smith under the chairmanship of John Harnett. Its remit is to ensure that the Company's obligations pursuant to the Disclosure and Transparency Rules are discharged and that appropriate policies and procedures are in place.

Internal control and risk management

Risk management process

The board is responsible for the Group's system of internal control and for reviewing its effectiveness. Any system can provide only reasonable and not absolute assurance against material misstatement or loss.

In December each year, the board approves a detailed budget for the year ahead. It also approves outline projections for the subsequent four years. A detailed review takes place at the half year. 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 and to certify compliance with these policies on an annual basis.

The risk advisory group, which consists of the Chairman, the executive directors, the director of risk and compliance and the Company Secretary, meets four times a year. Twice a year it considers the risk assessments and risk registers produced by the subsidiaries and updates the Group risk register and top risks. It considers areas of specific risk and particular issues. It reports to the audit and risk committee.

The audit and risk committee considers the Group risk register and the nature and extent of the risks facing the Group. It reviews the top risks and the framework to mitigate such risks and reports to the board on a regular basis.

The audit and risk committee keeps under review the adequacy of internal financial controls in conjunction with the internal auditors and reports to the board regularly. An annual programme of work is carried out by the internal auditors. The operation of internal financial controls is monitored by regular management reviews, including a procedure by which operating companies certify compliance quarterly.

The consolidated financial statements for the Group are prepared by aggregating submissions from each statutory entity. Prior to submission to the Group reporting team the individual country submissions are reviewed and approved by the finance director of the relevant country. Once the submissions have been aggregated and consolidation adjustments made to remove the intercompany transactions, the consolidated result is reviewed by the Finance Director. 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 Finance Director. The supporting notes to the financial statements which cannot be agreed directly to the consolidation are prepared by aggregating submission templates from each market and combining this with central information where applicable. The financial statements and all supporting notes are reviewed and approved by the senior manager responsible for corporate reporting and the Finance Director.

Review of effectiveness

In accordance with the Turnbull guidance (2005), the board has reviewed the effectiveness of the Group's framework of internal controls, including financial, operational and compliance controls and risk management systems, during 2008. The process for identifying, evaluating and managing the significant risks faced by the Group was in place throughout 2008 and up to 23 March 2009. The board also, 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.

Relations with shareholders

The executive directors meet with institutional shareholders on a regular basis. 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. Independent reviews of shareholder views are commissioned and the board receives regular updates on investor relations.

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

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 and on the Company's website.

Statement of compliance with the Combined Code

The Company complied with all the provisions in Section 1 of the Combined Code throughout 2008 with the following two exceptions.

Code provision A.2.1: From 1 January to 22 October 2008, the Company had an Executive Chairman who carried out, in part, Chief Executive responsibilities. The arrangement of an Executive Chairman/Chief Operating Officer was chosen initially in order to ensure that the Group had the necessary depth of management resource to support its development in the immediate period following the demerger from Provident Financial plc in July 2007. However, some time after the demerger, the board took the view that it was now appropriate to move to a more conventional board structure and on 22 October 2008 the Chairman became non-executive and the Chief Operating Officer became Chief Executive Officer.

Code provision B.1.1: The International Personal Finance plc Incentive Plan provides a one-off (rather than phased) incentive to the senior executive team in the three-year period following the demerger. This is designed to incentivise them to achieve the Company's plans and strategic targets during this critical period in the development of the Company.

Approved by the board on 23 March 2009.

Rosamond Marshall Smith
General Counsel & Company Secretary

23 March 2009

Governance

Directors' remuneration report

Introduction

This is the directors' remuneration report of International Personal Finance plc ('the Company') which has been prepared pursuant to, and in accordance with, section 234B of the Companies Act 1985 ('the Companies Act'). In accordance with section 241 of the Companies Act, a resolution to approve this report will be proposed at the annual general meeting ('AGM') of the Company to be held on 13 May 2009.

Unaudited information

The following information, comprising details of the remuneration committee and its work, the statement of the Company's policy on directors' remuneration, the directors' service agreements and the performance graph, is unaudited.

The remuneration committee

Members and attendance

The members and their attendance at committee meetings in 2008 were as follows:

Name	Number of meetings	Number attended
Ray Miles (Chairman)	7	7
Tony Hales	7	7
Nick Page	7	7

Remit

Its remit is:

- to consider the framework of executive remuneration and make recommendations to the board;
- to determine the specific remuneration packages and conditions of service of the Chairman, the executive directors and the Company Secretary, including their service agreements; and
- to monitor the level and structure of the remuneration of the most senior management below board level within the Group.

Other matters

The committee has appointed Kepler Associates ('Kepler') as remuneration consultant. Kepler is independent and does not provide any other services to the Group. The Chairman of the Company and the Chief Executive Officer each normally attends and speaks at meetings of the committee (other than when his own remuneration or any matter relating to him is being considered). No director is involved in determining his own remuneration. The Company Secretary, Rosamond Marshall Smith, is secretary to the committee and attended the meetings of the committee in 2008; as a solicitor she provides legal and technical support to the committee.

Statement of the Company's policy on directors' remuneration

Key principles of the remuneration policy

The remuneration policy applied by the committee is based on the need to attract, reward, motivate and retain executive directors to enable the Company to achieve its plans. The committee is also conscious of the need to avoid paying more than is reasonable for this purpose and therefore the policy of the committee is to pay remuneration at market levels. The remuneration policy is designed to ensure that a significant proportion of the executive directors' remuneration is linked to performance, through the operation of the annual cash bonus and the long-term incentive plan.

Chairman

The Chairman was Executive Chairman, devoting three days a week to his role with the Company, until 22 October 2008 when he became non-executive Chairman and, in consequence, his remuneration was adjusted. Until October 2008 his remuneration consisted of a basic salary, pension allowance and other benefits, including a company-leased car and medical cover for him and his immediate family. With effect from October his salary was reduced from £385,000 to £250,000 a year and his benefits were phased out in the period up to 31 December 2008, with the exception of the car which may be retained until the end of the Company's lease. He continues his existing participation in a long-term incentive plan at a reduced level but will not receive any further awards under the Company's equity incentive schemes.

Executive directors

The executive directors' remuneration consists of a basic salary, an annual cash bonus (subject to performance conditions) and other benefits, including pension arrangements and participation in a long-term incentive plan. They are provided with company-leased cars and, if they so elect, a fuel card (or a cash alternative), long-term disability cover under the Company's permanent health policy and medical cover for them and their immediate families. Benefits in kind and bonuses are not pensionable.

The committee normally reviews the executive directors' remuneration annually with effect from 1 January. When the Chief Operating Officer was promoted to Chief Executive Officer in October 2008 his salary was increased to £450,000 a year. The Finance Director received an interim review in July 2008 and his salary was increased to £250,000 a year. However, in view of more difficult economic conditions, no general increases in basic salary were awarded either to the executive directors or the senior management group with effect from 1 January 2009.

Non-executive directors

The fees for the non-executive directors are fixed by the board and are designed both to recognise the responsibilities of non-executive directors and to attract individuals with the necessary skills and experience to contribute to the Company's plans. Their business expenses are reimbursed by the Company. They received no increase in fees in 2008 or for 2009.

Bonuses

An annual cash bonus is payable to the Chief Executive Officer and the Finance Director, subject to satisfaction of performance conditions which include, where applicable, appropriate environmental, social and governance matters. During 2008 the executive directors were eligible for a bonus by reference to post-tax profit and personal objectives, subject to a maximum of 100% of salary.

For 2009 a new scheme is proposed for executive directors subject, in the case of the share element, to shareholder approval. The bonus will be payable partly in cash, and partly in deferred shares which will vest at the end of a three-year period subject to the director not being dismissed for misconduct. There will also be a matching award of shares which will vest at the end of a three-year period, subject to a performance condition being satisfied. The performance condition will be determined by the committee at the time of grant. Further details are contained in the Chairman's letter to shareholders to be dated 31 March 2009. Bonuses do not form part of pensionable earnings. A similar scheme, at reduced levels, will operate for approximately 45 senior managers.

Equity incentive schemes

The Company currently operates four equity incentive schemes for directors and employees. These are:

- The International Personal Finance plc Incentive Plan ('the Incentive Plan');
- The International Personal Finance plc Performance Share Plan ('the Performance Share Plan');
- The International Personal Finance plc Exchange Share Scheme 2007 ('the Exchange Scheme'); and
- The International Personal Finance plc Employee Savings-Related Share Option Scheme ('the SAYE Scheme').

The schemes were put in place in June 2007 shortly before the demerger from Provident Financial plc ('PF') on 16 July 2007 and were individually approved by the shareholders of PF.

The Incentive Plan

Awards under the Incentive Plan were granted to the Chairman, the executive directors and certain senior executives following the demerger. In 2008 some further awards were made to three newly promoted senior executives. Additionally, a top-up award was made to John Harnett in October 2008 when he became Chief Executive Officer. The Incentive Plan provides a one-off incentive to 15 people in the period following demerger. If absolute total shareholder return ('TSR') growth of 30% is achieved over a three-year performance period, starting from the demerger, and employment conditions are met, awards under the Incentive Plan will enable participants, according to their seniority, to share in a pool of up to 3% of the total growth in value ('the earned value pool') delivered to shareholders. The committee believes that absolute TSR is a simple and objective measure of shareholder value creation, given the lack of comparable companies. All benefits under the Incentive Plan will be delivered in shares, with 50% delivered shortly after the end of the performance period and delivery of the further 50% deferred for a further 12 months.

The Performance Share Plan

Contingent awards of shares were made under the Performance Share Plan following the demerger to key senior managers who did not participate in the Incentive Plan. The awards will vest after a three-year performance period, starting from the demerger date, with vesting determined by a range of TSR growth targets and by employment conditions. TSR is calculated on the same basis as for the Incentive Plan. No award will vest if TSR growth is less than 30%. 50% of the award will vest if TSR growth is 30% and 100% will vest if TSR growth is 60%. If growth in TSR is between 30% and 60%, vesting will be on a straight-line basis. 50% of vested awards will be released after the end of the performance period, with 50% deferred for an additional 12 months. No awards to directors have been made under this Plan.

In 2008, to achieve consistency of objectives, some further awards were made to new senior managers by reference to the original performance period and target. Awards were made based on either 150% or 75% of salary, depending on seniority, but on a pro rata basis.

New policy on Grants

The vesting of the awards made under the Incentive Plan in July 2007 will be determined in July 2010 and at that point it will be necessary to grant further equity incentives to the executive directors and senior executives. It is therefore proposed that the Performance Share Plan should be used for this purpose and this will mean that the executive directors and senior management will all participate in one plan. The performance target will be determined by the committee at the time of grant. It is expected that awards of up to 100% and 75% of salary will be made in 2010 and thereafter for executive directors and other senior managers.

The Exchange Scheme

Awards were made following the demerger to the executive directors and 55 other Group senior managers who held options under the Provident Financial Executive Share Option Scheme 2006, which lapsed at the demerger, and awards under the Provident Financial Long Term Incentive Scheme 2006 which were cancelled, in return for the grant of new equivalent awards under the Exchange Scheme. These options/awards under the PF Schemes were valued as at 30 June 2007 and awards were made in the form of contingent rights to acquire shares in the Company with an equivalent value for £nil consideration, which would normally vest on the third anniversary of the date of grant of the original award. The remuneration committee of Provident Financial plc determined this to be the most appropriate approach in all the circumstances. No further awards will be made under the Exchange Scheme.

Governance

Directors' remuneration report continued

The SAYE Scheme

The executive directors (together with other UK group employees) may participate in the SAYE Scheme, which has been approved by HM Revenue and Customs. Participants save a fixed sum each month for three or five years and may use these funds to purchase shares after three, five or seven years. The exercise price is fixed at up to 20% below the market value of the shares at the date directors and employees are invited to participate in the scheme. Up to £250 can be saved each month. This scheme does not contain performance conditions as it is an Inland Revenue approved scheme open to employees at all levels.

Service agreements

The current policy is for executive directors' service agreements to provide for both the Company and the director to give one year's notice. No director has a service agreement containing a liquidated damages clause on termination; in the event of the termination of an agreement, the Company would seek mitigation of loss by the director concerned and aim to ensure that any payment made is the minimum which is commensurate with the Company's legal obligations.

Other directorships

The Company will normally permit a full-time executive director to hold one non-executive directorship and to retain the fee from that appointment, subject to the prior approval of the board.

Shareholding policy

In 2008 a shareholding policy was introduced for directors and senior managers. Over a five-year period they should acquire a beneficial shareholding with a value equal to a percentage of their gross basic annual salary (or, in the case of non-executive directors, fees) as follows:

Category	Percentage of salary/fee
Executive director	200%
Non-executive director	100%
Participants in the Incentive Plan	100%
Senior participants in the Performance Share Plan	50%

Senior management remuneration

The committee considers the structure and level of pay of the 13 most senior members of the management team below board level. Two-thirds currently have salaries ranging from £125,000 to £150,000 and one-third has salaries ranging from £150,001 to £250,000.

Changes to the remuneration policy

The remuneration policy is normally reviewed once a year and is scheduled to be reviewed again in December 2009.

Details of directors' service agreements

Re-election of directors

At the forthcoming AGM Christopher Rodrigues and Tony Hales will be offering themselves for re-election.

Chairman

Christopher Rodrigues has a letter of appointment with the Company dated 19 June 2007, as varied on 22 October 2008, terminable on one year's notice from him or the Company. There are no provisions for compensation payable on early termination.

Executive directors

John Harnett has a service agreement dated 19 June 2007, as varied on 22 October 2008. David Broadbent has a service agreement dated 21 June 2007. Each of these service agreements is terminable upon one year's notice from the relevant director or the Company and will automatically terminate when the relevant director reaches normal retirement age (65). There are no provisions for compensation payable on early termination. However, in the event that a director is not re-elected at an annual general meeting of the Company, the agreement is automatically terminated and this is treated as a breach by the Company.

Non-executive directors

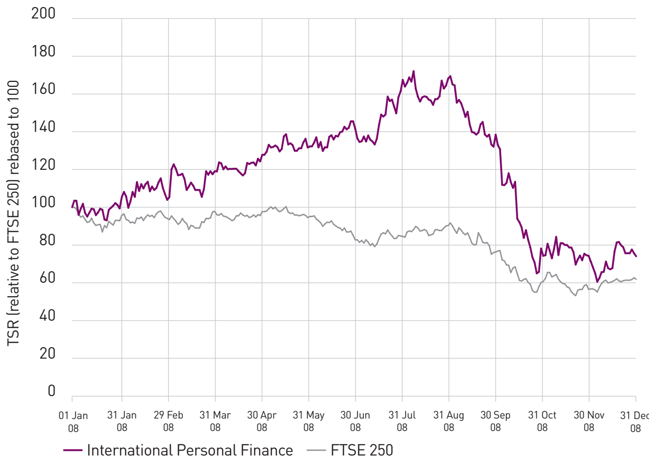
Each of the non-executive directors has a letter of appointment dated 19 June 2007. Each director has been appointed for three years (until 30 June 2010), subject to re-election by shareholders. The initial three-year period may be extended.

Proposed executive director

It is proposed that Craig Shannon should be appointed to the board as Development Director and he will be proposed for election at the forthcoming AGM. He has not yet entered into a service agreement.

Performance graph

The graph below compares the total shareholder return of the Company with the companies comprising the FTSE 250 Index. This index was chosen for comparison because the Company is a member of this index and has been since its shares were listed on 16 July 2007.



Audited information

The following information, comprising details of the directors' remuneration, directors' pension provision and the Group's equity incentive schemes, is audited in accordance with the requirements of the Companies Act 1985.

Directors' remuneration

Remuneration

The directors' remuneration for 2008 amounted to £1,931,000 (2007: £871,000 from 16 July 2007) analysed as follows:

Director's name	Salary £000	Bonus £000	Benefits £000	Fees £000	**2008 Total £000**	2007 Total £000
Christopher Rodrigues	351	–	22	–	**373**	190
John Harnett	394	378	27	–	**799**	356
David Broadbent	238	228	23	–	**489**	199
Charles Gregson	–	–	–	45	**45**	21
Tony Hales	–	–	–	45	**45**	21
Ray Miles	–	–	–	120	**120**	56
Nick Page	–	–	–	60	**60**	28
Total	983	606	72	270	**1,931**	871

Notes

In addition to his basic salary, Christopher Rodrigues received a pension allowance until October 2008 and details of this are set out below (Pensions and life assurance).

The executive directors received bonuses equivalent to 96% of their basic salaries as the Group post-tax performance target was met in full and their individual targets substantially so.

Incentive plan

Awards

Awards under the Incentive Plan are as follows:

Director's name	Awards held at 31 Dec 2007	Awards granted/ surrendered in 2008	Awards held at 31 Dec 2008	Performance condition period	Market price of shares at date of grant/ surrender (p)
Christopher Rodrigues	0.8%			16 Jul 2007 -15 Jul 2010	250
		(0.2%)	0.6%		156
John Harnett	0.6%			16 Jul 2007 -15 Jul 2010	250
		0.1%	0.7%	16 Jul 2007 -15 Jul 2010	156
David Broadbent	0.4%		0.4%	16 Jul 2007 -15 Jul 2010	250

Notes to awards

The awards make available to participants, and thus are shown as, a percentage of the earned value pool (as defined above in the Statement of the Company's policy on directors' remuneration: the Incentive Plan) at the end of the performance condition period. The total pool may be up to 3% of the total return to shareholders in the performance condition period. For this purpose, the total return to shareholders will be calculated as the absolute TSR growth of the total issued share capital of the Company at the demerger expressed as a monetary amount. No awards will vest if TSR growth is less than 30%.

Awards will be satisfied in shares. For the purposes of the Incentive Plan, the starting point is the average value of the issued share capital over the month following demerger which was 226 pence per share.

There were no changes in the interests of the directors under the Incentive Plan between 31 December 2008 and 16 March 2009.

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

The Exchange Scheme

Awards

Awards under the Exchange Scheme are as follows:

Director's name	Total awards held at 31 Dec 2007	Total awards held at 31 Dec 2008	Market price of shares at date of grant (p)	Normal vesting date
John Harnett	81,278	81,278	250	01 Jun 2009
	23,556	23,556	250	07 Jun 2009
David Broadbent	8,036	8,036	250	07 Jun 2009

Notes to awards

No awards were made during the year.

The awards are contingent rights to acquire shares for £nil consideration. There are no performance conditions other than those related to continued employment.

There were no changes in the interests of the directors under the Exchange Scheme between 31 December 2008 and 16 March 2009.

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

The SAYE Scheme

Award

The award made under the SAYE Scheme is as follows:

Director's name	Date of award	Total awards at 31 Dec 2008	Exercise price (p)	Market price at date of grant (p)	Normal exercisable dates
David Broadbent	02 Apr 2008	8,936	188	228	01 Jun 2013 -01 Dec 2013

Notes to award

No consideration is payable on the grant of an option.

There were no options outstanding on 1 January 2008.

There were no changes in the interests of the directors under the SAYE Scheme between 31 December 2008 and 16 March 2009.

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

The mid-market closing price of the Company's shares on 31 December 2008 was 139 pence and the range during 2008 was 114 pence to 326 pence.

Governance

Directors' remuneration report continued

Pensions and life assurance

Background

In order to provide continuity of benefits for directors and employees, the Company established two pension schemes which broadly mirrored those operated by PF at the demerger date. These are the International Personal Finance plc Pension Scheme ('the Pension Scheme') and the International Personal Finance Stakeholder Pension Scheme ('the Stakeholder Scheme'). Employees who join the Company and its UK subsidiaries are eligible to join the Stakeholder Scheme.

Benefits

The Pension Scheme is a defined benefit scheme with two sections: cash balance and final salary. The cash balance section provides members with a pension credit calculated as a percentage of basic salary in a retirement account. Currently the pension credit increases each year by the lower of 6.5% and the increase in RPI plus 1.5%. At retirement, up to 25% of the total value of the director's retirement account can be taken as a lump sum, with the balance used to purchase an annuity. If the director dies in service, a death benefit of five times salary plus the value of the retirement account is payable. The final salary section provides a pension of up to two-thirds of basic salary at the normal retirement date of age 65.

Chairman

Christopher Rodrigues received a pension allowance of £86,250 (up until October 2008 when he became non-executive) and life assurance benefit of £2,000,000 (which ceased on 31 December 2008).

Chief Executive Officer

John Harnett has a defined contribution personal pension arrangement. He has life assurance benefit of four times salary at date of death. The Company contributes 30% of his basic salary (subject to a maximum of £112,500) to his pension arrangements. The Company's contributions in respect of John Harnett during 2008 (including the cost of the life insurance) amounted to £113,654.

Finance Director

David Broadbent is the only director for whom retirement benefits are accruing under the Pension Scheme. He was a member of the final salary section 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.

Details of David Broadbent's entitlements under both sections of the Pension Scheme are as follows:

Final salary	£
Accrued pension at 31 December 2008	12,577
Accrued pension at 31 December 2007	12,060
Increase in accrued pension during the year (net of inflation)	408*
Transfer value of net increase in accrual over period	3,537
Transfer value of accrued pension at 31 December 2008	109,029
Transfer value of accrued pension at 31 December 2007	72,430
Total change in transfer value during the period (net of director's contributions)	36,599
Director's contributions in 2008	0

*Net of the increase in the Retail Prices Index.

Cash balance	£
Accrued cash balance lump sum at 31 December 2008	89,652
Accrued cash balance lump sum at 31 December 2007	61,750
Increase in cash balance lump sum during the year (net of inflation)	27,346*
Transfer value of net increase in accrual over period	27,346
Transfer value at 31 December 2008	89,652
Transfer value at 31 December 2007	61,750
Total change in transfer value during the period (net of director's contributions)	21,777
Director's contributions in 2008	6,125
Cost of life insurance	691

*Net of the increase in the Retail Prices Index.

David Broadbent was age 40 at the end of the year.

David Broadbent now has a defined contribution personal pension arrangement. He has life assurance benefit of four times salary at date of death. The Company contributes 30% of his basic salary to his pension arrangements. The Company's contributions in respect of David Broadbent during 2008 (including the cost of the life insurance) amounted to £31,689.

The Company is currently reviewing its pension policy and this review may result in changes later in the year.

Approved by the board on 23 March 2009.

Rosamond J Marshall Smith
General Counsel & Company Secretary

23 March 2009

Financial statements

Independent auditors' report to the members of International Personal Finance plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of International Personal Finance plc for the year ended 31 December 2008 which comprise the consolidated income statement, the Group and Company balance sheets, the Group and Company cash flow statements, the Group and Company statements of recognised income and expense, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited. The pro forma information included in notes 31 and 32 is unaudited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards, as adopted by the European Union ('IFRSs'), are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the directors' report and business review (which includes the Chairman's statement, Chief Executive Officer's review and financial review) and the governance section (which includes the unaudited part of the directors' remuneration report). We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2008 and cash flows for the year then ended;
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds

23 March 2009

Consolidated income statement

for the year ended 31 December

Group	Notes	2008 £m	2007 £m
Revenue*	1	**557.1**	409.8
Impairment	1	**(127.2)**	(83.2)
Revenue less impairment		**429.9**	326.6
Finance costs	2	**(29.5)**	(22.3)
Other operating costs		**(111.8)**	(81.6)
Administrative expenses		**(218.3)**	(175.7)
Total costs		**(359.6)**	(279.6)
Profit before taxation	1, 3	**70.3**	47.0
Profit before taxation and exceptional demerger costs	1	**70.3**	49.8
Exceptional demerger costs	31	**–**	(2.8)
Profit before taxation	1	**70.3**	47.0
Tax expense – UK		**(1.3)**	(1.9)
– overseas		**(18.4)**	(12.6)
Total tax expense	5	**(19.7)**	(14.5)
Profit after taxation attributable to equity shareholders	26	**50.6**	32.5

*All amounts included in revenue are defined as finance income under IFRS 7.

Group	Notes	2008 pence	2007 pence
Earnings per share			
Basic	6	**19.73**	12.64
Diluted	6	**19.70**	12.62

Group and Company	Notes	2008 pence	2007 pence
Dividend per share			
Interim dividend	7	**2.30**	1.90
Final proposed dividend	7	**3.40**	2.85
		5.70	4.75

Group and Company	Notes	2008 £m	2007 £m
Dividends paid			
Interim dividend of 2.30 pence per share (2007: 1.90 pence per share)	7	**5.9**	4.9
Final dividend of 2.85 pence per share	7	**7.3**	–
		13.2	4.9

The accounting policies and notes 1 to 30 are an integral part of these consolidated financial statements. The results shown above relate entirely to continuing operations.

Statements of recognised income and expense

for the year ended 31 December

	Notes	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Profit/(loss) after taxation attributable to equity shareholders		**50.6**	32.5	**(9.7)**	(2.8)
Exchange gains on foreign currency translations	26	**30.2**	21.1	**–**	–
Net fair value (losses)/gains – cash flow hedges	26	**(8.9)**	1.4	**0.2**	–
Actuarial losses on retirement benefit asset/obligation	23/26	**(3.3)**	(2.0)	**(0.7)**	(0.4)
Tax credit on items taken directly to equity	26	**3.4**	0.1	**0.1**	0.1
Net income/(expense) recognised directly in equity	26	**21.4**	20.6	**(0.4)**	(0.3)
Total recognised income/(expense) for the year	26	**72.0**	53.1	**(10.1)**	(3.1)

The accounting policies and notes 1 to 30 are an integral part of these consolidated financial statements.

The Group has presented an unaudited pro forma income statement and unaudited pro forma earnings per share for the year ended 31 December 2007 in notes 31 to 32 of these financial statements. These are presented in order to show what the financial position would have been if the Group had operated as a stand alone entity throughout 2007.

Balance sheets

as at 31 December

	Notes	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Assets					
Non-current assets					
Intangible assets	10	**17.5**	18.7	**–**	–
Investment in subsidiaries	11	**–**	–	**665.1**	664.0
Property, plant and equipment	12	**52.4**	40.8	**–**	–
Retirement benefit asset	23	**–**	1.7	**–**	0.4
Deferred tax assets	13	**37.5**	27.8	**0.4**	–
		107.4	89.0	**665.5**	664.4
Current assets					
Amounts receivable from customers:					
– due within one year		**552.2**	422.7	**–**	–
– due in more than one year		**22.2**	20.5	**–**	–
	14	**574.4**	443.2	**–**	–
Derivative financial instruments	19	**1.7**	0.7	**6.0**	–
Cash and cash equivalents	15	**62.2**	88.8	**0.7**	6.4
Trade and other receivables	16	**19.2**	9.0	**125.5**	86.0
		657.5	541.7	**132.2**	92.4
Total assets		**764.9**	630.7	**797.7**	756.8
Liabilities					
Current liabilities					
Bank borrowings	18	**(1.2)**	(8.8)	**–**	–
Derivative financial instruments	19	**(14.4)**	(0.7)	**(9.7)**	(0.2)
Deferred tax liabilities	13	**–**	–	**–**	(0.1)
Trade and other payables	17	**(53.4)**	(50.6)	**(104.5)**	(52.9)
Current tax liabilities		**(2.5)**	(5.0)	**–**	–
		(71.5)	(65.1)	**(114.2)**	(53.2)
Non-current liabilities					
Retirement benefit obligation	23	**(1.5)**	–	**(0.3)**	–
Bank borrowings	18	**(433.1)**	(362.0)	**(53.6)**	(47.1)
		(434.6)	(362.0)	**(53.9)**	(47.1)
Total liabilities		**(506.1)**	(427.1)	**(168.1)**	(100.3)
Net assets		**258.8**	203.6	**629.6**	656.5
Shareholders' equity					
Called-up share capital	25, 26	**25.7**	25.7	**25.7**	25.7
Other reserve	26	**(22.5)**	(22.5)	**226.3**	226.3
Foreign exchange reserve	26	**57.7**	27.5	**–**	–
Hedging reserve	26	**(6.1)**	0.3	**0.1**	–
Shares held by employee trust	26	**(5.7)**	–	**(5.7)**	–
Retained earnings	26	**209.7**	172.6	**383.2**	404.5
Total equity	26	**258.8**	203.6	**629.6**	656.5

The accounting policies and notes 1 to 30 are an integral part of these consolidated financial statements.

The financial statements comprising the consolidated income statement, statements of recognised income and expense, Group and Parent Company balance sheets and cash flow statements, accounting policies and notes 1 to 30 were approved by the board of directors on 23 March 2009 and were signed on its behalf by:

John A Harnett
Chief Executive Officer

David E S Broadbent
Finance Director

Cash flow statements

for the year ended 31 December

	Notes	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Cash flows from operating activities					
Cash generated from/(used in) operations	27	**65.7**	45.1	**15.1**	(35.1)
Established businesses		**105.5**	71.2	**15.1**	(35.1)
Start-up businesses		**(39.8)**	(22.2)	**–**	–
Demerger costs		**–**	(3.9)	**–**	–
		65.7	45.1	**15.1**	(35.1)
Finance costs paid		**(26.0)**	(22.4)	**(8.1)**	(1.7)
Finance income received		**–**	–	**3.6**	1.0
Income tax paid		**(23.9)**	(29.7)	**(3.9)**	–
Net cash generated from/(used in) operating activities		**15.8**	(7.0)	**6.7**	(35.8)
Cash flows from investing activities					
Purchases of property, plant and equipment	12	**(21.5)**	(22.7)	**–**	–
Proceeds from sale of property, plant and equipment		**3.6**	5.9	**–**	–
Purchases of intangible assets	10	**(3.2)**	(5.1)	**–**	–
Acquisition of subsidiary (net of cash acquired)		**–**	(2.4)	**–**	–
Net cash used in investing activities		**(21.1)**	(24.3)	**–**	–
Net cash from operating and investing activities					
Established businesses		**45.9**	7.3	**6.7**	(35.8)
Start-up businesses		**(51.2)**	(34.7)	**–**	–
Demerger costs		**–**	(3.9)	**–**	–
		(5.3)	(31.3)	**6.7**	(35.8)
Cash flows from financing activities					
(Repayment of)/proceeds from external bank borrowings		**(9.1)**	(70.4)	**6.5**	47.1
Net movement in funding from Provident Financial plc		**–**	78.3	**–**	–
Capital contribution from Provident Financial plc		**–**	70.0	**–**	–
Dividends paid to Company shareholders	7	**(13.2)**	(4.9)	**(13.2)**	(4.9)
Purchase of shares by employee trust		**(5.7)**	–	**(5.7)**	–
Net cash (used in)/generated from financing activities		**(28.0)**	73.0	**(12.4)**	42.2
Net (decrease)/increase in cash and cash equivalents		**(33.3)**	41.7	**(5.7)**	6.4
Cash and cash equivalents at beginning of year		**88.8**	44.5	**6.4**	–
Exchange gains on cash and cash equivalents		**6.7**	2.6	**–**	–
Cash and cash equivalents at end of year	15	**62.2**	88.8	**0.7**	6.4
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand		**57.0**	48.9	**0.7**	0.4
Short-term deposits		**5.2**	39.9	**–**	6.0
	15	**62.2**	88.8	**0.7**	6.4

Certain companies within the Group are required to keep certain cash and short-term deposits strictly segregated from the rest of the Group and these amounts are therefore not available to repay Group borrowings. At 31 December 2008 such cash and short-term deposits held by these companies amounted to £8.1m (2007: £36.8m).

The accounting policies and notes 1 to 30 are an integral part of these consolidated financial statements.

Accounting policies

Basis of preparation

The consolidated Group and Parent Company financial statements of IPF plc and its subsidiaries (IPF or the Group) have been prepared in accordance with EU endorsed International Financial Reporting Standards ('IFRS'), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS.

The following standards and interpretations were effective in the year:

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'

The following interpretations were effective in the current financial year but were not relevant to the Group:

IFRIC 12 'Service concession arrangements'

IFRIC 13 'Customer loyalty programmes'

The following standards and interpretations, which were in issue but not yet effective, have not been early adopted by the Group:

IFRS 8 'Operating Segments'

IAS 1 (Revised) 'Presentation of Financial Statements'

Amendment to IFRS 2 'Share-based payment – Vesting conditions and cancellations'

IFRS 3 (Revised) 'Business Combinations'

Amendment to IAS 36 'Impairment of assets' – impairment tests

Amendment to IAS 19 'Employee benefits'

Amendment to IAS 39 'Financial instruments: Recognition and measurement'

IFRIC 16 'Hedges of a net investment in a foreign operation'

IAS 23 (Revised) 'Borrowing Costs'

Amendment to IAS 32 and IAS 1 'Puttable financial instruments and obligations arising on liquidation'

Amendment to IAS 28 and IAS 32 'investments in associates'

Amendment to IAS 38 'Intangible assets'

IAS 27 (Revised) 'Consolidated and separate financial statements'

Amendment to IFRS 5 and IFRS 1 'Non-current assets held-for-sale and discontinued operations'

The standards and interpretations listed above are not expected to have a material impact on the financial statements.

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.

Consolidation

These consolidated financial statements include the financial results of all companies which are controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. All companies are 100% owned by IPF plc Group companies. A list of the principal subsidiaries included in the consolidated financial statements is included within note 11.

Finance costs

Finance costs comprise the interest on external borrowings and are recognised on an effective interest rate ('EIR') basis.

Segment reporting

The Group's primary reporting format is geographical segments. 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.

The provision of home credit is the only business segment operated by the Group and therefore a secondary segmental analysis is not provided.

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.

Operating costs
Operating costs include agent commission, marketing costs, foreign exchange gains and losses and gains or losses on derivative contracts taken to the income statement. 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, determined using a Monte Carlo simulation option pricing model or binomial option pricing model depending on the type of award.

In the Parent Company financial statements, in accordance with IFRIC 11 'IFRS 2 Group and Treasury Share Transactions', the fair value of providing share-based payments to employees of subsidiary companies is treated as an increase in the investment in subsidiaries.

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

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

All customer receivables are assessed for impairment each week. Customer accounts that are in arrears (those that have missed any portion of a contractual payment) 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. All such impairments are charged to the income statement.

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

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturities of three months or less. The short-term deposits are principally held for the purpose of meeting intra-Group arrangements. Cash also includes those balances held by agents for operational purposes. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

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

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39. The majority of the Group's derivatives are cash flow hedges of highly probable forecast transactions and meet the hedge accounting requirements of IAS 39. The Group also uses some foreign currency contracts which do not qualify for hedge accounting as they do not hedge a specific future transaction. These contracts are used to reduce the impact of exchange rate fluctuations on the reported results. Derivatives are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently remeasured at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately within the income statement.

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 equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of operating 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.

Accounting policies continued

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

Intangible assets
Intangible assets comprise computer software and a banking licence in Russia. 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.

Computer software is amortised 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.

The banking licence is not subject to amortisation as it is deemed to have an indefinite useful life as it will be used to allow the Group to issue credit to customers in Russia. It is tested for impairment at each balance sheet date.

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

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

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

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

The residual value and useful economic life of all assets are reviewed, and adjusted if appropriate, at each balance sheet date. All items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised 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 10p per share, are classified as equity.

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

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

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

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

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

On 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 equity. When a foreign operation is sold such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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 substantially 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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

Employee benefits

Defined benefit pension plan

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

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

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

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of recognised income and expense.

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

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

Defined contribution plans

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

Key assumptions and estimates

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

Amounts receivable from customers

The Group reviews its portfolio of customer loans and receivables for impairment every week. The Group makes judgments to determine whether there is objective evidence which indicates 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 regularly reviewed 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, a material 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 £28.7m higher/lower.

Retirement benefit asset/obligation

A number of judgments and estimates are made in assessing the amount of the retirement benefit asset/obligation at each balance sheet date. These judgments and estimates are derived after taking into account the requirements of IAS 19 'Retirement Benefit Obligations' and after taking the advice of the Group's actuaries. Further details on the key assumptions used are set out in note 23.

Tax

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

Notes to the financial statements

1. Segmental analysis

Primary reporting format – geographical segments

Group	Revenue 2008 £m	Revenue 2007 £m	Impairment 2008 £m	Impairment 2007 £m	Profit before taxation 2008 £m	Profit before taxation 2007 £m
Central Europe	**493.2**	367.1	**106.0**	64.3	**106.0**	79.3
UK – central costs	**–**	–	**–**	–	**(13.2)**	(11.6)
Established businesses	**493.2**	367.1	**106.0**	64.3	**92.8**	67.7
Mexico	**48.4**	38.8	**17.2**	18.4	**(8.7)**	(13.2)
Romania	**15.5**	3.9	**4.0**	0.5	**(7.8)**	(4.2)
Russia	**–**	–	**–**	–	**(6.0)**	(0.5)
Total before exceptional demerger costs	**557.1**	409.8	**127.2**	83.2	**70.3**	49.8
Exceptional demerger costs (note 31)	**–**	–	**–**	–	**–**	(2.8)
Total	**557.1**	409.8	**127.2**	83.2	**70.3**	47.0

Revenue and impairment in respect of Russia for the year ended 31 December 2008 is less than £0.1m (2007: £nil).

Group	Segment assets 2008 £m	Segment assets 2007 £m	Segment liabilities 2008 £m	Segment liabilities 2007 £m
Central Europe	**602.4**	512.1	**398.1**	356.8
Mexico	**52.1**	39.3	**46.2**	37.5
Romania	**36.3**	9.7	**8.0**	16.0
Russia	**5.3**	1.2	**1.6**	0.2
UK	**68.8**	68.4	**52.2**	16.6
Total	**764.9**	630.7	**506.1**	427.1

Group	Capital expenditure 2008 £m	Capital expenditure 2007 £m	Depreciation 2008 £m	Depreciation 2007 £m
Central Europe	**15.6**	14.9	**8.9**	6.7
Mexico	**0.8**	1.0	**1.3**	0.9
Romania	**2.0**	1.4	**0.8**	0.3
Russia	**1.0**	–	**0.1**	–
UK	**2.1**	5.4	**2.3**	1.7
Total	**21.5**	22.7	**13.4**	9.6

Expenditure on intangible assets of £3.2m (2007: £5.1m) and amortisation of £4.4m (2007: £3.4m) all relates to the UK.

The provision of home credit is the only business segment operated by the Group and therefore a secondary segmental analysis is not provided.

2. Finance costs

Group	2008 £m	2007 £m
Interest payable on bank borrowings	**29.5**	22.3

3. Profit before taxation

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

Group	2008 £m	2007 £m
Depreciation of property, plant and equipment (note 12)	**13.4**	9.6
Profit on disposal of property, plant and equipment	**(0.1)**	(0.2)
Amortisation of intangible assets (note 10)	**4.4**	3.4
Operating lease rentals:		
– property	**12.9**	9.9
– equipment	**0.7**	0.5
Share-based payment charge (note 24)	**2.1**	1.1
Defined benefit pension scheme charge/(credit) (note 23)	**0.3**	(0.1)
Exceptional demerger costs (note 31)	**–**	2.8

4. Auditors' remuneration

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

Group	**2008 £m**	2007 £m
Fees payable to the Company auditors for the audit of the Parent Company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company auditors and its associates for other services:		
– audit of Company's subsidiaries pursuant to legislation	**0.3**	0.2
– tax services	**0.1**	0.1
– other services	**0.3**	0.1

5. Tax expense

Group	**2008 £m**	2007 £m
Total current tax	**22.0**	23.3
Total deferred tax (note 13)	**(2.3)**	(8.8)
Tax expense	**19.7**	14.5

The tax credit in respect of exceptional demerger costs in 2007 was £0.4m.

Group	**2008 £m**	2007 £m
Tax credit on items taken directly to equity		
Deferred tax (credit)/charge on net fair value gains – cash flow hedges	**(2.5)**	0.4
Deferred tax credit on actuarial losses on retirement benefit asset/obligation	**(0.9)**	(0.5)
	(3.4)	(0.1)

The rate of tax expense on the profit before taxation for the year ended 31 December 2008 is lower than (2007: higher than) the standard rate of corporation tax in the UK of 28.5% (2007: 30.0%). The differences are explained as follows:

Group	**2008 £m**	2007 £m
Profit before taxation	**70.3**	47.0
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	**20.0**	14.1
Effects of:		
– adjustment in respect of prior years	**0.8**	(1.0)
– adjustment in respect of foreign tax rates	**(8.0)**	(4.6)
– expenses not deductible for tax purposes	**4.3**	5.0
– overseas taxable dividends	**2.6**	1.0
Total tax expense	**19.7**	14.5

6. Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the earnings attributable to shareholders of £50.6m (2007: £32.5m) by the weighted average number of shares in issue during the period of 256.5 million (2007: 257.2 million) which has been adjusted to exclude the weighted average number of shares held by the employee trust.

For diluted EPS, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares 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	**2008 m**	2007 m
Used in basic EPS calculation	**256.5**	257.2
Dilutive effect of awards	**0.4**	0.3
Used in diluted EPS calculation	**256.9**	257.5

Basic and diluted EPS are presented below:

Group	**2008 pence**	2007 pence
Basic EPS	**19.73**	12.64
Dilutive effect of awards	**(0.03)**	(0.02)
Diluted EPS	**19.70**	12.62

A pro forma EPS and a reconciliation to the statutory EPS is presented in note 32.

Notes to the financial statements continued

7. Dividends

Group and Company	2008 £m	2007 £m
Interim dividend of 2.30 pence per share (2007: 1.90 pence per share)	**5.9**	4.9
Final 2007 dividend of 2.85 pence per share	**7.3**	–
	13.2	4.9

The directors are recommending a final dividend in respect of the financial year ended 31 December 2008 of 3.40 pence per share which will amount to a full year dividend payment of £8.6m. If approved by the shareholders at the annual general meeting, this dividend will be paid on 22 May 2009 to shareholders who are on the register of members at 17 April 2009. This dividend is not reflected as a liability in the balance sheet as at 31 December 2008 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 plc and the members of the management team specified in the senior management team section of this annual report.

Group	2008 £m	2007 £m
Short-term employee benefits	**4.9**	3.5
Post-employment benefits	**0.3**	0.3
	5.2	3.8

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); and (ii) Group contributions into personal pension arrangements.

Disclosures in respect of the Group's highest paid director 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	2008 Number	2007 Number
Full-time*	**5,640**	5,157
Part-time**	**4,589**	4,665
	10,229	9,822

*Includes 207 agents in Hungary (2007: nil).
**Includes 3,954 agents in Hungary (2007: 4,110).

Agents are typically self employed other than in Hungary where they are required by legislation to be employed.

Group employment costs – all employees (including directors):

Group	2008 £m	2007 £m
Gross wages and salaries	**102.7**	81.7
Social security costs	**24.9**	20.9
Pension charge/(credit) – defined benefit schemes (note 23)	**0.3**	(3.6)
Pension charge – defined contribution schemes	**0.5**	0.3
Share-based payment charge	**2.1**	3.5
Total	**130.5**	102.8

10. Intangible assets

Group	2008 Banking licence £m	2008 Computer software £m	2008 Total £m	2007 Banking licence £m	2007 Computer software £m	2007 Total £m
Net book amount						
At 1 January	**3.0**	**15.7**	**18.7**	–	14.0	14.0
Additions	**–**	**3.2**	**3.2**	–	5.1	5.1
Acquisition of subsidiary	**–**	**–**	**–**	3.0	–	3.0
Amortisation	**–**	**(4.4)**	**(4.4)**	–	(3.4)	(3.4)
At 31 December	**3.0**	**14.5**	**17.5**	3.0	15.7	18.7
Analysed as:						
Cost	**3.0**	**22.3**	**25.3**	3.0	19.1	22.1
Amortisation	**–**	**(7.8)**	**(7.8)**	–	(3.4)	(3.4)
At 31 December	**3.0**	**14.5**	**17.5**	3.0	15.7	18.7

The Company has no intangible assets.

The banking licence relates to the licence to trade as a bank in Russia. The fair value of this banking licence is equal to £3.0m. As required by IAS 36 this asset has been tested for impairment at the balance sheet date. No impairment has been charged.

11. Investment in subsidiaries

Company	2008 £m	2007 £m
Investment in subsidiary	**663.6**	663.6
Share-based payment adjustment	**1.5**	0.4
	665.1	664.0

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 £663.6m and this amount was therefore capitalised as a cost of investment. A further £1.5m (2007: £0.4m) has been added to the cost of investment representing the fair value of the share-based payment awards over IPF plc shares made to employees of subsidiary companies of IPF plc. The corresponding credit has been taken to reserves.

The principal subsidiary companies of IPF plc, which are all 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
Provident Polska S.A.	Poland	Home credit
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 Servicios de Agencia S.A de C.V.	Mexico	Provision of services
Provident Servicios S.A de C.V.	Mexico	Provision of services
Provident Financial Romania IFN S.A.	Romania	Home credit
OOO IPF Bank	Russia	Home credit

Notes to the financial statements continued

12. Property, plant and equipment

Equipment and vehicles, fixtures and fittings

Group	**2008 £m**	2007 £m
Cost		
At 1 January	**66.6**	48.8
Exchange adjustments	**12.4**	5.9
Additions	**21.5**	22.7
Disposals	**(8.4)**	(10.8)
At 31 December	**92.1**	66.6
Depreciation		
At 1 January	**25.8**	18.6
Exchange adjustments	**5.4**	2.7
Charge to the income statement	**13.4**	9.6
Disposals	**(4.9)**	(5.1)
At 31 December	**39.7**	25.8
Net book value at 31 December	**52.4**	40.8

There is no difference between the carrying values stated above and the amounts stated on a historical cost basis.

The Company has no property, plant and equipment.

13. 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	
	2008 £m	2007 £m	**2008 £m**	2007 £m
At 1 January	**27.8**	15.7	**(0.1)**	–
Exchange differences	**4.0**	3.2	**–**	–
Credit/(charge) to the income statement	**2.3**	8.8	**0.4**	(0.2)
Tax credit on items taken directly to equity	**3.4**	0.1	**0.1**	0.1
At 31 December	**37.5**	27.8	**0.4**	(0.1)

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 2008	1.3	(0.4)	26.9	27.8	(0.1)	–	(0.1)
Exchange differences	0.3	–	3.7	4.0	–	–	–
Credit to the income statement	1.2	–	1.1	2.3	–	0.4	0.4
Tax credit on items taken directly to equity	–	0.9	2.5	3.4	0.2	(0.1)	0.1
At 31 December 2008	**2.8**	**0.5**	**34.2**	**37.5**	**0.1**	**0.3**	**0.4**

Deferred tax assets have been recognised in respect of all tax losses and other temporary timing differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

Deferred tax has not been provided on approximately £196.9m of unremitted earnings of the Group's overseas subsidiaries. The Group's policy is to retain profits in such overseas subsidiaries in circumstances where a distribution would generate a tax cost in the UK. Profits will only be repatriated where it is assessed that any liability that would otherwise arise will be substantially covered by foreign tax credits. During 2008 £52.0m of profits arising overseas were repatriated, without giving rise to any UK tax.

14. Amounts receivable from customers

Group	2008 £m	2007 £m
Amounts receivable from customers comprise:		
– amounts due within one year	**552.2**	422.7
– amounts due in more than one year	**22.2**	20.5
	574.4	443.2

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	2008 £m	2007 £m
Polish zloty	**270.5**	224.6
Czech crown	**100.8**	79.9
Slovak crown	**36.9**	25.6
Hungarian forint	**105.4**	84.9
Central European currencies	**513.6**	415.0
Mexican peso	**38.1**	22.9
Romanian leu	**22.7**	5.3
	574.4	443.2

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 120% (2007: 125%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 5.3 months (2007: 5.4 months).

The Group has only 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 £328.8m (2007: £234.6m).

15. Cash and cash equivalents

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Cash at bank and in hand	**57.0**	48.9	**0.7**	0.4
Short-term deposits	**5.2**	39.9	**–**	6.0
Total	**62.2**	88.8	**0.7**	6.4

At 31 December 2008 £5.1m (2007: £24.0m) of the short-term deposits and £3.0m (2007: £0.2m) of the cash at bank and in hand are held by a company in the Group that is separately regulated. The regulators of this company require its cash balances to be retained within the company and these monies cannot be used to finance other parts of the Group or to repay borrowings of the Group.

The average period to maturity of the short-term deposits is one month (2007: one month). The currency profile of cash and cash equivalents is as follows:

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Sterling	**8.2**	36.2	**0.1**	6.3
Polish zloty	**20.0**	28.5	**–**	0.1
Czech crown	**8.4**	11.1	**0.1**	–
Slovak crown	**2.7**	1.2	**–**	–
Hungarian forint	**6.8**	6.4	**–**	–
Mexican peso	**3.4**	2.8	**–**	–
Romanian leu	**10.1**	1.4	**0.5**	–
Russian rouble	**2.6**	1.2	**–**	–
Total	**62.2**	88.8	**0.7**	6.4

All of the cash and cash equivalents accrue interest at floating rates linked to the relevant national reference rate. The weighted average fixed interest rate on cash and cash equivalents was 2.00% (2007: 5.36%).

Notes to the financial statements continued

16. Trade and other receivables

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Trade debtors	**0.9**	0.6	**–**	–
Other debtors	**3.8**	2.6	**0.5**	–
Prepayments and accrued income	**14.5**	5.8	**1.1**	0.2
Amounts due from Group undertakings	**–**	–	**123.9**	85.8
Total	**19.2**	9.0	**125.5**	86.0

The fair value of trade and other receivables at 31 December 2008 equates to their book value (2007: fair value equated to book value). No balance within trade and other receivables is impaired.

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

17. Trade and other payables

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Trade creditors	**2.6**	4.6	**0.9**	2.5
Other creditors including taxation and social security	**15.6**	11.0	**–**	0.2
Accruals	**35.2**	35.0	**2.7**	–
Amounts due to Group undertakings	**–**	–	**100.9**	50.2
Total	**53.4**	50.6	**104.5**	52.9

The fair value of trade and other payables at 31 December 2008 equates to their book value (2007: fair value equated to book value).

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

18. Borrowing facilities and borrowings

External bank borrowing facilities principally comprise arrangements with banks for committed revolving loan facilities and overdrafts in a number of currencies for periods of up to three years and an uncommitted overdraft which is repayable on demand. At 31 December 2008 borrowings under these facilities amounted to £434.3m (2007: £370.8m). All borrowings are unsecured.

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

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Borrowing facilities available				
Repayable:				
– on demand	**5.0**	5.0	**5.0**	5.0
– in less than one year	**33.2**	29.3	**–**	–
– between one and two years	**187.2**	–	**78.2**	–
– between two and five years	**438.4**	516.9	**142.9**	178.7
Total	**663.8**	551.2	**226.1**	183.7

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Borrowings				
Repayable:				
– in less than one year	**1.2**	8.8	**–**	–
– between one and two years	**134.9**	–	**25.9**	–
– between two and five years	**298.2**	362.0	**27.7**	47.1
Total	**434.3**	370.8	**53.6**	47.1

The average period to maturity of the Group's committed external bank facilities was 2.3 years (2007: 2.2 years).

18. Borrowing facilities and borrowings continued

The currency exposure on external bank borrowings is as follows:

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Sterling	**29.0**	15.0	**29.0**	15.0
Euro	**–**	2.9	**–**	2.9
Polish zloty	**213.9**	167.8	**20.6**	18.2
Czech crown	**55.9**	54.3	**3.0**	2.4
Slovak crown	**37.0**	28.2	**–**	–
Hungarian forint	**52.6**	60.1	**–**	–
Mexican peso	**39.8**	33.9	**–**	–
Romania leu	**6.1**	8.6	**1.0**	8.6
Total	**434.3**	370.8	**53.6**	47.1

All of the external bank borrowings held by the Group have floating interest rates, however, as discussed in note 19 the Group's policy is to fix the interest on a large proportion of borrowings using derivative contracts.

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

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Expiring within one year	**37.0**	25.5	**5.0**	5.0
Expiring within one to two years	**52.3**	–	**52.3**	–
Expiring in more than two years	**140.2**	154.9	**115.2**	131.6
Total	**229.5**	180.4	**172.5**	136.6

19. Derivative financial instruments

The fair value of derivative financial instruments is set out below:

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Assets				
Interest rate swaps	**0.9**	0.7	**5.4**	–
Foreign currency contracts	**0.8**	–	**0.6**	–
Total	**1.7**	0.7	**6.0**	–

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Liabilities				
Interest rate swaps	**9.8**	0.2	**5.1**	–
Foreign currency contracts	**4.6**	0.5	**4.6**	0.2
Total	**14.4**	0.7	**9.7**	0.2

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December.

The Group uses interest rate swaps in order to fix the interest payable on a large proportion of its borrowings and foreign currency contracts to hedge against specified future foreign currency cash flows. In addition the Group also enters into foreign exchange forward contracts to economically hedge against forecast profits denominated in foreign currency. These foreign exchange contracts do not hedge against a specific future cash flow so do not qualify for hedge accounting; changes in their fair value are therefore taken to the income statement. None of these contracts were outstanding at the balance sheet date.

Cash flow hedges

The Group uses interest rate swaps (cash flow hedges) to hedge those interest cash flows that are expected to occur within four years of the balance sheet date and foreign currency swaps (cash flow hedges) to hedge those foreign currency cash flows that are expected to occur within 12 months of the balance sheet date. The effect on the income statement will also be within these periods. An amount of £8.9m has been charged to equity for the Group in the period in respect of cash flow hedges (2007: credit of £1.4m), Company: credit of £0.2m (2007: £nil).

Notes to the financial statements continued

19. Derivative financial instruments continued

Interest rate swaps

The total notional principal of outstanding interest rate swaps that the Group is committed to is £582.3m (2007: £250.1m). The total notional principal of outstanding interest rate swaps that the Company is committed to is £482.8m (2007: £nil). These interest rate swaps cover a proportion of both current borrowings and forecast future borrowings (which includes rollovers of current borrowings).

The majority of the interest rate swaps 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 (2007: £0.2m) 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.

The weighted average interest rate and period to maturity of the Group interest rate swaps was as follows:

			2008			2007
Group	**Weighted average interest rate %**	**Range of interest rates %**	**Weighted average period to maturity Years**	Weighted average interest rate %	Range of interest rates %	Weighted average period to maturity Years
Polish zloty	**6.2**	**5.5–7.0**	**1.7**	5.5	5.4–5.8	1.5
Czech crown	**4.0**	**3.7–4.7**	**0.9**	3.9	3.8–4.2	1.4
Slovak crown*	**4.3**	**3.7–4.5**	**1.2**	4.5	4.4–4.5	1.6
Hungarian forint	**7.8**	**6.8–11.3**	**1.3**	7.0	6.8–7.3	1.6
Mexican peso	**9.5**	**8.2–11.7**	**1.9**	8.5	8.2–9.7	1.5
Euro	**3.9**	**3.5–4.5**	**2.7**	–	–	–
Romanian leu	**10.4**	**9.8–11.1**	**1.9**	–	–	–

The weighted average interest rate and period to maturity of the Company interest rate swaps was as follows:

			2008			2007
Company	**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	**6.7**	**6.2–7.1**	**2.1**	–	–	–
Czech crown	**4.0**	**3.8–4.3**	**0.7**	–	–	–
Slovak crown*	**4.2**	**3.7–4.7**	**1.2**	–	–	–
Hungarian forint	**10.7**	**9.8–11.3**	**1.5**	–	–	–
Euro	**4.0**	**3.5–4.5**	**2.7**	–	–	–
Romanian leu	**10.5**	**9.8–11.3**	**1.9**	–	–	–

*The Slovak crown denominated swaps which were outstanding at 31 December 2008 were converted into Euro denominated swaps on 1 January 2009.

The Company enters into interest rate swaps with an external bank and then enters into an equal and offsetting swap with its subsidiaries to ensure there is a hedging relationship within the relevant subsidiary company. The Company held no interest rate swaps in 2007.

Foreign currency contracts

The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2008 is £47.5m (2007: £30.7m). These comprise:

- foreign currency contracts to buy or sell various currencies for a total notional amount of £16.6m (2007: £17.6m). These contracts have various maturity dates up to October 2009 (2007: November 2008). 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 £30.9m (2007: £13.1m). These contracts have various maturity dates up to March 2009 (2007: June 2008). These contracts exactly match the underlying item and therefore the amounts charged/credited to the income statement are offset by credits/charges in respect of the underlying item.

The total notional amount of outstanding foreign currency contracts that the Company is committed to at 31 December 2008 is £39.5m (2007: £13.1m). These comprise:

- foreign currency contracts to buy or sell sterling for a total notional amount of £30.9m (2007: £13.1m). These contracts have various maturity dates up to March 2009 (2007: June 2008). These contracts exactly match the underlying item and therefore the amounts charged/credited to the income statement are offset by credits/charges in respect of the underlying item;

19. Derivative financial instruments continued

- foreign currency contracts to buy or sell various currencies for a total notional amount of £2.0m (2007: £nil). These contracts have various maturity dates up to October 2009 (2007: November 2008). 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 and sell various currencies for a total notional amount of £6.6m (2007: £nil). £3.3m of these contracts are held with external providers to buy and sell currency and £3.3m of these contracts are equal and off-setting 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.

20. Risks arising from financial instruments

Risk management

Treasury related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. The board delegates certain responsibilities to the treasury committee. The treasury committee, which is chaired by the Finance Director, 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, investment and hedging. These policies ensure that the borrowings and investments are with high quality counterparties; are limited to specific instruments; the exposure to any one counterparty or type of instrument is controlled; and the Group's exposure to interest rate and exchange rate movements is maintained within set limits.

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.

Amounts receivable from customers

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

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 derivative instruments such as interest rate swaps to hedge a proportion of borrowings over a certain time period, usually four years.

Interest costs are a relatively low proportion of the Group's revenue (5.3% in 2008), and therefore the risk of a material variance 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	**2008 £m**	2007 £m
Increase in fair value of derivatives taken to equity	**10.3**	4.9
Reduction in profit before tax	**3.0**	4.8

This sensitivity analysis is based on the following assumptions:

- the change in the market interest rate occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rate affect the fair value of derivative financial instruments designated as hedging instruments.

Currency risk

The Group is subject to three types of currency risk; net asset exposure, cash flow exposure and profit and loss exposure.

Net asset exposure

The majority of the Group's net assets are denominated in currencies other than sterling. The consolidated 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 Group aims to minimise the value of net assets denominated in each foreign currency by funding overseas receivables by borrowings in local currency. Currently, the capital markets in Romania are not operating effectively with the result that the receivables in this market are partly funded in equity from the Parent Company which is denominated in sterling.

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.

Notes to the financial statements continued

20. Risks arising from financial instruments continued

Profit and loss 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 Group reduces the exposure to this risk by economically hedging a proportion of the budgeted profits which results in a currency variance in the trading result being partly offset by a gain or loss on the relevant foreign exchange contract.

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	**2008 £m**	2007 £m
Change in profit and loss reserves	**0.1**	0.1
Change in profit before tax	**0.2**	0.2

This sensitivity analysis is based on the following assumptions:

- there is a 5% strengthening/weakening of sterling against all currencies the Group operates in (Polish zloty, Czech crown, Slovak crown, Hungarian forint, Mexican peso, Romanian leu and Russian rouble); and
- there is no impact on the profit or loss reserve or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Credit risk

The Group is subject to credit risk in respect of the amounts receivable from customers and the cash and cash equivalents held on deposit with banks.

Amounts receivable from customers

The risk of material unexpected credit losses in respect of amounts receivable from customers is low as the Group lends small amounts over short-term periods to a large and diverse group of customers across the countries in which the Group operates. This risk is minimised by the use of credit scoring techniques which are designed to ensure we only lend to those customers who can afford the repayments. The amount lent to each customer and the repayment period agreed are dependent upon the risk category the customer is assigned to as part of the scoring process. The level of expected future losses is reviewed by management on a weekly basis by geographical segment in order to ensure that appropriate action can be taken if losses differ from management expectations.

Cash and cash equivalents

The Group only deposits cash with highly rated banks and sets strict limits in respect of the amount to be held on deposit with any one institution.

No collateral or credit enhancements are held in respect of any financial assets. The maximum exposure to credit risk is as follows:

Group	**2008 £m**	2007 £m
Cash and cash equivalents	**62.2**	88.8
Amounts receivable from customers	**574.4**	443.2
Derivative financial instruments	**1.7**	0.7
Trade and other receivables	**19.2**	9.0
Total	**657.5**	541.7

The above table represents a worst case scenario of the credit risk that the Group is exposed to at the year end. An analysis of the amounts receivable from customers by geographical segment is presented in note 14 and of the cash and cash equivalents in note 15. Derivative financial instruments and trade and other debtors have not been presented by geographical segment as they are not considered significant.

Cash and cash equivalents, derivative financial instruments and trade and other debtors 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 which are explained further in the principal risks section of this report, to ensure the risk of loss is minimised.

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.

The Group's accounting policy in respect of amounts receivable from customers requires that as soon as a customer misses any portion of a contractual payment the account is reviewed for impairment and the receivable is reduced to reflect the revised expected future cash flows. The result of this is that any loan which is past due (where a payment has been missed) will attract a deduction for impairment. Therefore amounts receivable from customers include no amounts that are past due but not impaired.

20. Risks arising from financial instruments continued

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

Group	Not impaired 2008 £m	Not impaired 2007 £m	Impaired 2008 £m	Impaired 2007 £m
Central Europe	**139.7**	110.9	**373.9**	304.1
Mexico	**11.9**	5.7	**26.2**	17.2
Romania	**11.2**	3.0	**11.5**	2.3
	162.8	119.6	**411.6**	323.6

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, which excludes the impact of provision releases, for each geographical market is shown below:

Group	2008 %	2007 %
Central Europe	**21.9**	19.2
Mexico	**35.5**	47.4
Romania	**25.8**	12.8

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2007: £nil).

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 aiming to have (i) a diversity of funding sources across the banks which the Group uses and across the countries in which the Group operates; (ii) a balanced maturity profile of debt finance to mitigate refinancing risk; and (iii) committed facilities in excess of the forecast borrowing requirements. At 31 December 2008 the Group's committed borrowing facilities had an average period to maturity of 2.3 years (2007: 2.2 years). As shown in note 18 total undrawn facilities as at 31 December 2008 were £229.5m (2007: £180.4m).

In note 18 a maturity analysis of the gross borrowing included in the balance sheet is presented. A maturity analysis of bank borrowings and overdrafts outstanding at the balance sheet date by contractual cash flow, including expected interest payments, is shown below:

Group	2008 £m	2007 £m
Not later than six months	**16.0**	11.9
Later than six months and not later than one year	**18.3**	20.9
Later than one year and not later than two years	**158.6**	23.6
Later than two years and not later than five years	**314.3**	374.9
	507.2	431.3

Company	2008 £m	2007 £m
Not later than six months	**1.5**	1.6
Later than six months and not later than one year	**1.4**	1.6
Later than one year and not later than two years	**28.3**	3.2
Later than two years and not later than five years	**29.1**	49.2
	60.3	55.6

The above analysis 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.

Notes to the financial statements continued

20. Risks arising from financial instruments continued

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

Group	2008 Outflow £m	2008 Inflow £m	2007 Outflow £m	2007 Inflow £m
Not later than one month	**3.0**	**2.9**	4.5	4.4
Later than one month and not later than six months	**40.9**	**36.4**	13.1	12.6
Later than six months and not later than one year	**6.6**	**4.3**	0.7	0.7
Later than one year and not later than two years	**4.2**	**–**	–	–
Later than two years and not later than five years	**3.4**	**–**	–	–
	58.1	**43.6**	18.3	17.7

Company	2008 Outflow £m	2008 Inflow £m	2007 Outflow £m	2007 Inflow £m
Not later than one month	**2.1**	**2.0**	3.0	3.0
Later than one month and not later than six months	**37.7**	**32.4**	10.5	10.2
Later than six months and not later than one year	**5.5**	**2.2**	–	–
Later than one year and not later than two years	**5.0**	**–**	–	–
Later than two years and not later than five years	**2.2**	**–**	–	–
	52.5	**36.6**	13.5	13.2

The outflow in respect of derivative liabilities occurring in later than one year will be broadly offset by inflows from derivative assets.

A maturity analysis of the Group's receivables and borrowing facilities as at 31 December 2008 is presented below:

Group	Receivables £m	Percentage of total %	Borrowing facilities £m	Percentage of total %
Less than one year	**552.2**	**96.1**	**38.2**	**5.8**
Later than one year	**22.2**	**3.9**	**625.6**	**94.2**
	574.4	**100.0**	**663.8**	**100.0**

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

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 capital 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 (borrowings to equity). The capital of the Group and these ratios are shown below:

Group	2008 £m	2007 £m
Receivables	**574.4**	443.2
Borrowings	**(434.3)**	(370.8)
Other net assets	**118.7**	131.2
Equity	**258.8**	203.6
Equity as % of receivables	**45.1%**	45.9%
Gearing	**1.7**	1.8

Equity as a percentage of receivables was above the internal minimum requirement set by the Group.

Gearing, which is equal to borrowings divided by net assets, at a ratio of 1.7 times (2007: 1.8 times), is well within covenant limits.

21. Analysis of financial assets and financial liabilities

Financial assets

An analysis of Group financial assets is presented below:

Group	2008 Loans and receivables £m	2008 Derivatives used for hedging £m	2008 Total £m	2007 Loans and receivables £m	2007 Derivatives used for hedging £m	2007 Total £m
Cash and cash equivalents	**62.2**	**–**	**62.2**	88.8	–	88.8
Amounts receivable from customers	**574.4**	**–**	**574.4**	443.2	–	443.2
Derivative financial instruments	**–**	**1.7**	**1.7**	–	0.7	0.7
Trade and other receivables	**19.2**	**–**	**19.2**	9.0	–	9.0
	655.8	**1.7**	**657.5**	541.0	0.7	541.7

Financial liabilities

An analysis of Group financial liabilities is presented below:

Group	2008 Other financial liabilities £m	2008 Derivatives used for hedging £m	2008 Total £m	2007 Other financial liabilities £m	2007 Derivatives used for hedging £m	2007 Total £m
Bank borrowings	**434.3**	**–**	**434.3**	370.8	–	370.8
Trade and other payables	**53.4**	**–**	**53.4**	50.6	–	50.6
Derivative financial instruments	**–**	**14.4**	**14.4**	–	0.7	0.7
Current tax liabilities	**2.5**	**–**	**2.5**	5.0	–	5.0
	490.2	**14.4**	**504.6**	426.4	0.7	427.1

22. 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	2008 Fair value £m	2008 Carrying value £m	2007 Fair value £m	2007 Carrying value £m
Financial assets				
Cash and cash equivalents	**62.2**	**62.2**	88.8	88.8
Amounts receivable from customers	**800.0**	**574.4**	600.0	443.2
Derivative financial instruments	**1.7**	**1.7**	0.7	0.7
Trade and other receivables	**19.2**	**19.2**	9.0	9.0
	883.1	**657.5**	698.5	541.7
Financial liabilities				
Bank borrowings	**434.3**	**434.3**	370.8	370.8
Trade and other payables	**53.4**	**53.4**	50.6	50.6
Derivative financial instruments	**14.4**	**14.4**	0.7	0.7
Current tax liabilities	**2.5**	**2.5**	5.0	5.0
	504.6	**504.6**	427.1	427.1

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (net of collection costs) at an appropriate discount rate.

The carrying value of borrowings is deemed to be a good approximation of the fair value. Borrowings can be repaid within six months if the Group decides not to rollover 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 fair value.

Notes to the financial statements continued

23. Retirement benefit obligations

a) Pension schemes – defined benefit

Prior to 16 July 2007 certain of the Group's employees were members of two funded defined benefit pension schemes operated by Provident Financial plc. As part of the demerger, it was agreed that the companies and employees of the new International Personal Finance plc group ('the Group') would continue to participate in the Provident Financial plc pension scheme arrangements until 31 December 2007.

On 1 January 2008, the Group set up a new funded defined benefit scheme for those individuals who had previously been members of the schemes operated by Provident Financial plc. As part of the demerger agreement, the liabilities relating to the past and present employees of the Group were transferred from the Provident Financial plc schemes to the new scheme together with an agreed amount of assets. The amount of assets transferred was equal to the value of liabilities on 16 July 2007 adjusted to allow for subsequent investment returns and cash flows plus £3.5m.

Scheme assets are stated at fair value at 31 December 2008. The major assumptions used by the actuary were:

Group and Company	**2008 %**	2007 %
Price inflation	**2.9**	3.4
Rate of increase in pensionable salaries	**4.4**	5.0
Rate of increase to pensions in payment	**2.9**	3.4
Discount rate	**6.2**	5.7
Long-term rate of return:		
– equities	**7.1**	7.9
– bonds	**6.7**	4.7
– index-linked gilts	**3.6**	4.3
– other	**–**	4.5
– overall (weighted average)	**6.2**	6.3

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

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 23 years. On average, we expect a female retiring in the future at age 65 to live for a further 26 years. If assumed life expectancies had been assumed to be one year greater for all members, the charge to the income statement would have increased by £0.1m and the present value of defined benefit obligations would have increased by approximately £0.8m.

The amounts recognised in the balance sheet are as follows:

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Equities	**14.7**	17.6	**3.2**	3.8
Bonds	**5.9**	4.8	**1.3**	1.1
Index-linked gilts	**4.0**	4.8	**0.9**	1.1
Other	**2.1**	4.7	**0.5**	1.0
Total fair value of scheme assets	**26.7**	31.9	**5.9**	7.0
Present value of funded defined benefit obligations	**(28.2)**	(30.2)	**(6.2)**	(6.6)
Net (obligation)/asset recognised in the balance sheet	**(1.5)**	1.7	**(0.3)**	0.4

The amounts recognised in the income statement are as follows:

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Current service cost	**0.6**	0.1	**0.1**	–
Interest cost	**1.7**	0.8	**0.4**	0.2
Expected return on scheme assets	**(2.0)**	(1.0)	**(0.4)**	(0.2)
	0.3	(0.1)	**0.1**	–
Exceptional credit on demerger	**–**	(3.5)	**–**	(0.8)
Net charge/(credit) recognised in the income statement	**0.3**	(3.6)	**0.1**	(0.8)

The net charge/(credit) recognised in the income statement has been included within administrative expenses.

23. Retirement benefit obligations continued

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

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Fair value of scheme assets at 1 January	**31.9**	–	**7.0**	–
Transfer from Provident Financial plc	**–**	30.9	**–**	6.8
Expected return on scheme assets	**2.0**	1.0	**0.4**	0.2
Actuarial losses on scheme assets	**(6.7)**	(0.1)	**(1.4)**	–
Contributions by the Group	**0.4**	0.1	**0.1**	–
Contributions paid by scheme participants	**0.1**	0.1	**–**	–
Net benefits paid out	**(1.0)**	(0.1)	**(0.2)**	–
Fair value of scheme assets at 31 December	**26.7**	31.9	**5.9**	7.0

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

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Defined benefit obligation at 1 January	**(30.2)**	–	**(6.6)**	–
Transfer from Provident Financial plc	**–**	(27.4)	**–**	(6.0)
Current service cost	**(0.6)**	(0.1)	**(0.1)**	–
Interest cost	**(1.7)**	(0.8)	**(0.4)**	(0.2)
Contributions paid by scheme participants	**(0.1)**	(0.1)	**–**	–
Actuarial gains/(losses) on scheme liabilities	**3.4**	(1.9)	**0.7**	(0.4)
Net benefits paid out	**1.0**	0.1	**0.2**	–
Defined benefit obligation at 31 December	**(28.2)**	(30.2)	**(6.2)**	(6.6)

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

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Expected return on scheme assets	**2.0**	1.0	**0.4**	0.2
Actuarial losses on scheme assets	**(6.7)**	(0.1)	**(1.4)**	–
Actual return on scheme assets	**(4.7)**	0.9	**(1.0)**	0.2

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

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

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Actuarial losses on scheme assets	**(6.7)**	(0.1)	**(1.4)**	–
Actuarial gains/(losses) on scheme liabilities	**3.4**	(1.9)	**0.7**	(0.4)
Total loss recognised in the SORIE in the year	**(3.3)**	(2.0)	**(0.7)**	(0.4)
Cumulative amount of losses recognised in the SORIE	**(5.3)**	(2.0)	**(1.1)**	(0.4)

The history of experience adjustments is as follows:

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Experience losses on scheme assets:				
– amount (£m)	**(6.7)**	(0.1)	**(1.4)**	–
– percentage of scheme assets (%)	**(25.1%)**	(0.3%)	**(23.7%)**	–
Experience losses on scheme liabilities:				
– amount (£m)	**–**	–	**–**	–
– percentage of scheme liabilities (%)	**–**	–	**–**	–

Notes to the financial statements continued

23. Retirement benefit obligations continued

b) Pension schemes – defined contribution

The defined benefit pension arrangements are no longer open to new members. All eligible UK employees joining are now invited to join a stakeholder pension plan into which the Group contributes 8% of members' pensionable earnings, provided the employee contributes a minimum of 6%. The assets of the scheme are held separately from those of the Group. The pension charge in the income statement represents contributions payable by the Group in respect of the plan and amounted to £0.2m for the year ended 31 December 2008 (2007: £0.1m). £nil of contributions were payable to the plan at the year end (2007: £nil).

In addition an amount of £0.3m (2007: £0.2m) has been charged to the income statement in respect of contributions into personal pension arrangements for certain directors and employees.

24. Share-based payments

The Group operates four share schemes: The International Personal Finance plc Incentive Plan ('the Incentive Plan'), The International Personal Finance plc Performance Share Plan ('the Performance Share Plan'), The International Personal Finance plc Exchange Share Scheme ('the Exchange Scheme') and The International Personal Finance plc Employee Savings-Related Share Option Scheme ('the SAYE Scheme').

The income statement charge in respect of the Incentive Plan and the Performance Share Plan has been calculated using a Monte Carlo simulation model as these schemes are subject to a Total Shareholder Return ('TSR') performance target. The income statement charge in respect of the SAYE scheme is calculated using a binominal option pricing model. The total income statement charge in respect of these share-based payments is £2.1m (2007: £0.9m).

The income statement charge in respect of the Exchange Scheme is equal to the fair value of the shares at the date of award (share price at date of award adjusted for dividends). All awards will be equity settled. The total income statement charge in respect of these share-based payments is £nil (2007: £0.8m). The 2007 cost was included within exceptional demerger costs.

In 2007 a charge of £1.6m was charged to the income statement in respect of an accelerated charge for share options over shares in Provident Financial plc which had been granted to Group employees and which became exercisable on demerger and a charge of £0.2m was made in respect of share options over shares in Provident Financial plc prior to demerger.

The fair value per award granted and the assumptions used in the calculation of the share-based payment charge are as follows:

	Incentive Plan	Performance Share Plan	Exchange Scheme	SAYE Scheme
Grant date	20 July 2007	20 July 2007	20 July 2007	02 April 2008
Share price at award date (£)	2.50	2.50	2.50	2.28
Base price for TSR	2.26	2.26	n/a	n/a
Exercise price (£)	nil	nil	nil	1.88
Share awards outstanding	n/a	1,951,129	357,626	288,278
Vesting period (years)	3-4	3-4	2	3, 5 and 7
Expected volatility	30.0%	30.0%	n/a	30.0%
Award life (years)	3	3	2	Up to 7
Expected life (years)	3	3	2	Up to 7
Risk-free rate	5.7%	5.7%	n/a	5.7%
Expected dividends expressed as a dividend yield	2.8%	2.8%	2.8%	2.8%
Deferred portion	50.0%	50.0%	n/a	n/a
TSR threshold	30.0%	30.0%	n/a	n/a
TSR maximum target	n/a	60.0%	n/a	n/a
Fair value per award (£)	n/a	1.10-1.13	2.40	0.68-0.85

No exercise price is payable in respect of awards made under the Incentive Plan, Performance Share Plan and Exchange Scheme. As IPF plc shares have only been publicly traded since the date of demerger (16 July 2007) the expected volatility is based on the three-year volatilities of comparable companies. 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. For the Performance Share Plan the maximum number of shares that will be awarded is 1,951,129 assuming the 60% TSR target is met, for the Incentive Plan there is no maximum number of shares. For both the Performance Share Plan and the Incentive Plan the fair value has been calculated based on an estimate of the amount of shares likely to vest.

Further detail in respect of the Incentive Plan, Performance Share Plan, Exchange Scheme and SAYE scheme is given in the directors' remuneration report.

24. Share-based payments continued

The movements in the outstanding awards are outlined in the table below:

	Performance Share Plan		Exchange Scheme		SAYE Scheme	
Group	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January 2008	**1,483,799**	**–**	**391,590**	**–**	**–**	**–**
Granted	**809,160**	**–**	**–**	**–**	**296,957**	**1.88**
Expired/Lapsed	**(341,830)**	**–**	**(26,210)**	**–**	**(8,679)**	**1.88**
Exercised	**–**	**–**	**(7,754)**	**–**	**–**	**–**
Outstanding at 31 December 2008	**1,951,129**	**–**	**357,626**	**–**	**288,278**	**1.88**
Exercisable at 31 December 2008	**–**	**–**	**–**	**–**	**–**	**–**
Outstanding at 1 January 2007	–	–	–	–	–	–
Granted	1,592,193	–	420,674	–	–	–
Expired/Lapsed	(108,394)	–	(29,084)	–	–	–
Exercised	–	–	–	–	–	–
Outstanding at 31 December 2007	1,483,799	–	391,590	–	–	–
Exercisable at 31 December 2007	–	–	–	–	–	–

25. Share capital

Company	**2008 £m**	2007 £m
257,217,888 shares at a nominal value of 10p	**25.7**	25.7

26. Statement of changes in shareholders' equity

Group	Called-up share capital £m	Other reserve £m	Foreign exchange reserve £m	Hedging reserve £m	Shares held by employee trust £m	Retained earnings £m	Total equity £m
At 1 January 2007	3.2	–	6.4	(0.7)	–	73.0	81.9
Exchange gains on foreign currency translation	–	–	21.1	–	–	–	21.1
Net fair value gains – cash flow hedges	–	–	–	1.4	–	–	1.4
Actuarial losses on retirement benefit asset	–	–	–	–	–	(2.0)	(2.0)
Tax (charge)/credit on items taken to equity	–	–	–	(0.4)	–	0.5	0.1
Net income/(expense) recognised directly in equity	–	–	21.1	1.0	–	(1.5)	20.6
Profit after taxation for the year	–	–	–	–	–	32.5	32.5
Total recognised income for the year	–	–	21.1	1.0	–	31.0	53.1
Increase in share capital	437.3	226.3	–	–	–	–	663.6
Capital reorganisation and reverse acquisition adjustment	(414.8)	(248.8)	–	–	–	–	(663.6)
Capital contribution	–	–	–	–	–	70.0	70.0
Share-based payment adjustment to reserves	–	–	–	–	–	3.5	3.5
Dividends paid to Company shareholders	–	–	–	–	–	(4.9)	(4.9)
At 31 December 2007	25.7	(22.5)	27.5	0.3	–	172.6	203.6
At 1 January 2008	**25.7**	**(22.5)**	**27.5**	**0.3**	**–**	**172.6**	**203.6**
Exchange gains on foreign currency translation	**–**	**–**	**30.2**	**–**	**–**	**–**	**30.2**
Net fair value losses – cash flow hedges	**–**	**–**	**–**	**(8.9)**	**–**	**–**	**(8.9)**
Actuarial losses on retirement benefit asset/obligation	**–**	**–**	**–**	**–**	**–**	**(3.3)**	**(3.3)**
Tax credit on items taken to equity	**–**	**–**	**–**	**2.5**	**–**	**0.9**	**3.4**
Net income/(expense) recognised directly in equity	**–**	**–**	**30.2**	**(6.4)**	**–**	**(2.4)**	**21.4**
Profit after taxation for the year	**–**	**–**	**–**	**–**	**–**	**50.6**	**50.6**
Total recognised income/(expense) for the year	**–**	**–**	**30.2**	**(6.4)**	**–**	**48.2**	**72.0**
Share-based payment adjustment to reserves	**–**	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Purchase of shares by employee trust	**–**	**–**	**–**	**–**	**(5.7)**	**–**	**(5.7)**
Dividends paid to Company shareholders	**–**	**–**	**–**	**–**	**–**	**(13.2)**	**(13.2)**
At 31 December 2008	**25.7**	**(22.5)**	**57.7**	**(6.1)**	**(5.7)**	**209.7**	**258.8**

Notes to the financial statements continued

26. Statement of changes in shareholders' equity continued

Company	Called-up share capital £m	Other reserve £m	Hedging reserve £m	Shares held by employee trust £m	Retained earnings £m	Total equity £m
At 1 January 2007	–	–	–	–	–	–
Actuarial losses on retirement benefit asset	–	–	–	–	(0.4)	(0.4)
Tax credit on items taken to equity	–	–	–	–	0.1	0.1
Net expense recognised directly in equity	–	–	–	–	(0.3)	(0.3)
Loss after taxation for the period	–	–	–	–	(2.8)	(2.8)
Total recognised expense for the period	–	–	–	–	(3.1)	(3.1)
Issue of new share capital	437.3	226.3	–	–	–	663.6
Capital reduction	(411.6)	–	–	–	411.6	–
Share-based payment adjustment to reserves	–	–	–	–	0.9	0.9
Dividends paid to Company shareholders	–	–	–	–	(4.9)	(4.9)
At 31 December 2007	25.7	226.3	–	–	404.5	656.5
At 1 January 2008	**25.7**	**226.3**	**–**	**–**	**404.5**	**656.5**
Net fair value gains – cash flow hedges	**–**	**–**	**0.2**	**–**	**–**	**0.2**
Actuarial losses on retirement benefit asset	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Tax (charge)/credit on items taken to equity	**–**	**–**	**(0.1)**	**–**	**0.2**	**0.1**
Net expense recognised directly in equity	**–**	**–**	**0.1**	**–**	**(0.5)**	**(0.4)**
Loss after taxation for the period	**–**	**–**	**–**	**–**	**(9.7)**	**(9.7)**
Total recognised income/(expense) for the period	**–**	**–**	**0.1**	**–**	**(10.2)**	**(10.1)**
Purchase of shares by employee trust	**–**	**–**	**–**	**(5.7)**	**–**	**(5.7)**
Share-based payment adjustment to reserves	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Dividends paid to Company shareholders	**–**	**–**	**–**	**–**	**(13.2)**	**(13.2)**
At 31 December 2008	**25.7**	**226.3**	**0.1**	**(5.7)**	**383.2**	**629.6**

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.

An employee trust established by the Company purchased 4 million shares on various dates between 22 October 2008 and 7 November 2008 at a cost of £5.7m. These shares have been purchased in order to satisfy future vestings of awards and options under the Company's various equity incentive schemes.

The Company has elected to take the exemption under section 230 of the Companies Act 1985 to not present the Parent Company income statement. The loss after taxation of the Parent Company for the period was £9.7m.

27. Reconciliation of profit after taxation to cash generated from/(used in) operations

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Profit/(loss) after taxation	**50.6**	32.5	**(9.7)**	(2.8)
Adjusted for:				
– tax charge/(credit)	**19.7**	14.5	**3.5**	(1.4)
– finance costs	**29.5**	22.3	**8.7**	2.0
– finance income	**–**	–	**(4.4)**	(1.3)
– share-based payment charge	**2.1**	3.5	**1.1**	0.5
– defined benefit pension charge/(credit) (note 23)	**0.3**	(3.6)	**0.1**	(0.8)
– depreciation of property, plant and equipment (note 12)	**13.4**	9.6	**–**	–
– profit on sale of property, plant and equipment	**(0.1)**	(0.2)	**–**	–
– amortisation of intangible assets (note 10)	**4.4**	3.4	**–**	–
Changes in operating assets and liabilities:				
– amounts receivable from customers	**(40.9)**	(63.5)	**–**	–
– trade and other receivables	**(9.1)**	7.2	**(38.7)**	(84.1)
– trade and other payables	**(7.6)**	19.8	**50.9**	52.6
– retirement benefit asset	**(0.4)**	(0.1)	**(0.1)**	–
– derivative financial instruments	**3.8**	(0.3)	**3.7**	0.2
Cash generated from/(used in) operations	**65.7**	45.1	**15.1**	(35.1)

28. Commitments

Commitments to make operating lease payments are as follows:

Group	**2008 £m**	2007 £m
In less than one year	**9.9**	5.4
In more than one year but not later than five years	**19.9**	9.1
In more than five years	**8.1**	10.6
	37.9	25.1

Other commitments are as follows:

Group	**2008 £m**	2007 £m
Capital expenditure commitments contracted with third parties but not provided for at 31 December	**2.2**	2.0

The Company has no commitments as at 31 December 2008 (2007: £nil).

29. Contingent liabilities

The Company has a contingent liability for guarantees given in respect of the borrowings of certain other Group companies to a maximum of £437.7m (2007: £367.5m). At 31 December 2008 the fixed and floating rate borrowings under these facilities amounted to £380.7m (2007: £323.7m). 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 2008 was £nil (2007: £nil).

Notes to the financial statements continued

30. Related party transactions

IPF plc has various transactions with other companies in the Group. Details of these transactions along with any balances outstanding are set out below:

	2008			2007		
Company	**Recharge of costs £m**	**Interest charge/(credit) £m**	**Outstanding balance £m**	Recharge of costs £m	Interest charge £m	Outstanding balance £m
Central Europe	**1.5**	**2.2**	**28.9**	–	1.3	31.4
Mexico	**0.4**	**0.1**	**0.3**	–	0.1	–
Romania	**0.3**	**1.8**	**4.7**	–	0.3	11.7
Other UK companies	**1.1**	**(2.8)**	**(10.9)**	0.3	0.1	(7.5)
	3.3	**1.3**	**23.0**	0.3	1.8	35.6

During 2007, but prior to the demerger, the Group received £0.5m of interest from Provident Financial plc and paid £1.6m in respect of a management services agreement.

31. Pro forma income statement (unaudited)

On 16 July 2007 the international home credit businesses of Provident Financial plc (the international businesses) were demerged, effected by a dividend in specie. IPF plc acquired the international businesses by issuing one IPF plc share to the shareholders of Provident Financial plc for each Provident Financial plc share held by them. On the same day the shares of IPF plc were admitted to trading on the main market of the London Stock Exchange.

An unaudited pro forma income statement and earnings per share for the year ended 31 December 2007 are presented below in order to present a consolidated position as if the Group had existed as a stand alone entity throughout the periods shown.

A reconciliation of the statutory result for the years ended 31 December 2007 to the pro forma result is presented below. The pro forma adjustments do not form part of the Group's financial statements.

Group	**Statutory £m**	**Exceptional demerger costs £m**	**Pro forma adjustments £m**	**Pro forma £m**
31 December 2007				
Revenue	**409.8**	**–**	**–**	**409.8**
Impairment	**(83.2)**	**–**	**–**	**(83.2)**
Revenue less impairment	**326.6**	**–**	**–**	**326.6**
Finance costs	**(22.3)**	**–**	**3.1**	**(19.2)**
Other operating costs	**(81.6)**	**–**	**–**	**(81.6)**
Administrative expenses	**(175.7)**	**2.8**	**(2.8)**	**(175.7)**
Total costs	**(279.6)**	**2.8**	**0.3**	**(276.5)**
Profit before taxation	**47.0**	**2.8**	**0.3**	**50.1**
Analysed as:				
Central Europe	**79.3**	**–**	**1.3**	**80.6**
UK-central costs	**(11.6)**	**–**	**(0.9)**	**(12.5)**
Established businesses	**67.7**	**–**	**0.4**	**68.1**
Mexico	**(13.2)**	**–**	**(0.1)**	**(13.3)**
Romania	**(4.2)**	**–**	**–**	**(4.2)**
Russia	**(0.5)**	**–**	**–**	**(0.5)**
Exceptional demerger costs	**(2.8)**	**2.8**	**–**	**–**
Profit before taxation	**47.0**	**2.8**	**0.3**	**50.1**
Taxation	**(14.5)**	**(0.4)**	**(0.1)**	**(15.0)**
Profit after taxation	**32.5**	**2.4**	**0.2**	**35.1**

31. Pro forma income statement (unaudited) continued

The exceptional demerger costs can be analysed as follows:

Group	2007 £m
IT separation costs	2.3
Defined benefit pension credit	(3.5)
Accelerated share-based payment charge	2.4
Other	1.6
	2.8
Tax credit	(0.4)
	2.4

The pro forma adjustments can be analysed as follows:

Group	Notes	2007 £m
Additional interest charge due to higher interest rates	a	(0.8)
Interest credit on capital contribution	b	1.9
Corporate office costs	c	(2.8)
Group interest payable	d	2.0
		0.3
Tax credit		(0.1)
		0.2

The pro forma adjustments can be explained as follows:

a) An adjustment has been included to increase finance costs to reflect the fact that the Group is subject to higher interest rates now that borrowings are no longer guaranteed by Provident Financial plc.

b) As part of the demerger, the Group received a capital contribution of £70.0m from Provident Financial plc (see note 26). This pro forma adjustment reflects the interest that would have been earned on this capital contribution had it been received prior to the start of 2007.

c) An adjustment in respect of additional corporate office costs is included to reflect that as a stand alone entity with its own corporate office the Group incurs additional costs compared with when it was a division of Provident Financial plc.

d) While the Group was part of the Provident Financial plc group it was subject to certain interest charges that would not have been incurred if it was a stand alone entity. These interest charges (which were not included in the reported profit for the international division in the Provident Financial plc segmental analysis) have therefore been reversed.

32. Pro forma earnings per share ('EPS') (unaudited)

A reconciliation of the statutory EPS to the pro forma EPS for the year ended 31 December 2007 is presented below:

Group	2007 pence
Basic EPS	12.64
Exceptional demerger costs, net of taxation	0.93
Pro forma adjustments, net of taxation	0.08
Pro forma EPS	**13.65**

The pro forma EPS is attributable to the following defined business units:

Group	2007 pence
Central Europe	21.95
UK-central costs	(3.40)
Established businesses	18.55
Mexico	(3.62)
Romania	(1.14)
Russia	(0.14)
Pro forma EPS	**13.65**

Information for shareholders

Financial calendar

Final dividend announced	4 March 2009
Ex-dividend date for ordinary shares	15 April 2009
Record date for the final dividend	17 April 2009
Annual general meeting/ Interim management statement	13 May 2009
Payment date of the final dividend	22 May 2009
Interim management report	23 July 2009
Ex-dividend date for ordinary shares	2 September 2009
Record date for the interim dividend	4 September 2009
Payment date of the interim dividend	2 October 2009
Interim management statement	21 October 2009

Share price

Information on our share price is available on the Company's website (www.ipfin.co.uk) and in a number of newspapers.

Share dealing and ISA service

The Company has made arrangements for its shareholders and employees with Redmayne-Bentley for the provision of both an ISA and general share dealing service. Shareholders who wish to take advantage of these facilities should contact Redmayne-Bentley, Merton House, 84 Albion Street, Leeds LS1 6AG (telephone 0113 243 6941).

Capital Gains Tax ('CGT') base cost for UK shareholders

On 16 July 2007, Provident Financial plc ('PF') demerged its international business, and shares in International Personal Finance plc ('IPF'), the new holding company, were listed on the main market of the London Stock Exchange. Immediately following the demerger, PF's share capital was consolidated on the basis of one consolidated PF share for every two non-consolidated PF shares.

The aggregate base cost for the purposes of the taxation of chargeable gains of the IPF shares and the PF shares immediately after the demerger and the share consolidation should be the same as the base cost of the PF shares immediately before the demerger. Such base cost should be apportioned between the PF shares and the IPF shares held by each shareholder by reference to their respective market values on the first day on which those shares' prices were quoted in the London Stock Exchange Daily Official List, which in this case was 16 July 2007.

Market value for these purposes is prescribed by section 272(3) Taxation of Chargeable Gains Act 1992. Taking this, the aggregate base cost of a total shareholding following the demerger and share consolidation is to be apportioned between the aggregate consolidated PF shares and the aggregate IPF shares as follows:

- 64.11% to consolidated PF shares; and
- 35.89% to IPF shares,

based upon a share price of 923.25 pence per share in PF, and 258.47 pence per share in IPF, being in each case the lower of the 'quarter-up' (as derived from the London Stock Exchange Daily Official List) and 'mid-point' (being half way between the highest and lowest prices at which bargains were recorded) prices for those shares on 16 July 2007. A shareholder with a total shareholding of 1,000 PF shares prior to demerger having an aggregate base cost of £6,000, would, after the demerger and share consolidation, have 500 consolidated PF shares and 1,000 IPF shares with an aggregate base cost of £3,847 and £2,153 respectively (or 769 pence and 215 pence per share respectively).

It should be noted that proceeds from any fractional entitlement from the share consolidation should also be deducted in order to determine the base cost.

This information is intended for general guidance only, it does not constitute tax advice and is relevant only to individuals who are resident or ordinarily resident in the UK, beneficial owners of their shares and who hold their shares as an investment. Shareholders should take their own tax advice as appropriate.

Registrar

The Company's share registrar is Capita Registrars Limited of Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA (telephone 0871 664 0300. Calls cost 10 pence per minute plus network extras). Please note the change of address, although the registrar remains the same.

The registrar deals with all matters relating to transfers of ordinary shares in the Company and with enquiries concerning holdings, and provides a range of services to shareholders including: a dividend reinvestment scheme; setting up or amending dividend bank mandates; and amending personal details.

The registrar's website is www.capitaregistrars.com. This will give you access to your personal shareholding by means of your investor code (which is printed on your share certificate). Most services will require a user ID and password which will be provided on registration.

Special requirements

The electronic version of the Annual Report and Financial Statements 2008, which can be found on the Company's website, is designed to be fully accessible by all voice browsers and screen readers. The full-colour printed version of this document is available on request from the Company Secretary at the address below.

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