International Personal Finance

Evolving to meet changing needs

Annual Report and Financial Statements 2015

We provide consumer loans to 2.8 million customers across 13 international markets. At the core of the business is our vision to make a difference in the everyday lives of our customers providing small, unsecured, short-term loans in an inclusive, transparent and responsible way.

Our home credit business serves customers that appreciate the unique qualities of our face-to-face, at-home service provided by our agents, while our digital business allows us to serve different customers, who prefer to take out and repay loans remotely.

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

For more information visit: www.ipfin.co.uk

Cautionary statement

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

International Personal Finance plc ('IPF'). Company number: 6018973.

Percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate ('CER') for 2015 in order to present the underlying performance variance.

Performance highlights

- Robust financial performance despite regulatory challenges in Europe
- Strong underlying growth in profit before tax and exceptional items of 10% (£12.6 million) before additional investment of £2.8 million in IPF Digital and negative FX impact of £17.2 million
- Group profit before tax and exceptional items of £116.1 million
- Statutory profit before tax £100.2 million
- Home credit – significant progress in Mexico; responding to market conditions in Europe
- Strong growth in IPF Digital and significant market opportunity
- Strategy evolved to meet changing consumer and market environment
- Robust funding position and further returns to shareholders

2,813 +7%
Customers ('000)

2013	2,578
2014	2,640
2015	2,813

£1,043.0M +13%
Credit issued (£M)

2013	1,050.8
2014	1,022.0
2015	1,043.0

£735.4M +4%
Revenue (£M)

2013	746.8
2014	783.2
2015	735.4

£116.1M (6%)
Profit before tax (£M)

2013	118.1*
2014	123.5*
2015	116.1*

37.1p (2%)
EPS (p)

2013	35.5*
2014	38.0*
2015	37.1*

12.4p +3%
Dividend per share (p)

2013	9.3
2014	12.0
2015	12.4

* Excluding exceptional items.

"We have evolved our strategy and product portfolio to meet the needs of our customers today and into the future."

Dan O'Connor
Chairman

Responding to change

INTRODUCTION

Welcome to our 2015 Annual Report and my first statement as Chairman. 2015 was a year of mixed progress for IPF. We made great strides in both Mexico and also IPF Digital, following the acquisition and integration of MCB Finance. However, increased competition and regulatory developments continued to have a significant impact on our home credit businesses in Europe.

I have had the opportunity to visit all our key businesses during 2015, where I met our customers, agents and employees. I got a great appreciation of the service we offer on the ground in these markets. I also got the sense of how rapidly they are changing.

CHANGING MARKETS

The development of mobile technology in recent years has resulted in a shift towards more customers looking for loans online and offers an exciting growth opportunity for us. It has also triggered significant growth in digital lending competition, which we have felt most acutely in some of our more established European home credit markets.

Consumer credit regulation has also increased in Europe impacting how we, and other credit providers, must now operate. There were a number of regulatory changes announced in 2015, particularly relating to our operations in Poland and Slovakia, which will impact Group profit growth adversely in the short term. Addressing the evolution of regulation and competition will remain a continuing challenge.

EVOLVED STRATEGY

We are operating in a dynamic environment and we have evolved our strategy to cater for that.

We have segmented the business into established businesses and growth businesses. Our established businesses in Poland-Lithuania, the Czech Republic and Hungary are highly cash and capital generative and we will use these returns to reinvest in our growth businesses which comprise Mexico, Romania-Bulgaria and IPF Digital, where we see significant growth potential. They will also support delivering further returns to our shareholders. We are making significant cost savings by introducing a new sales and service organisational design and agent handheld technology in our home credit businesses, and will drive cost-leverage through increasing scale in our growth markets. We believe this will enable us to capture significant growth opportunities in the medium term.

We expect regulators to remain active in Europe and we are adapting our processes to enable us to anticipate change and respond more quickly and effectively. Our Chief Executive Officer, Gerard Ryan, covers regulation, our market place and explains our evolved strategy in more details on pages 16 to 19.

2015 RESULTS

We delivered a robust financial performance generating £116.1 million profit before tax and exceptional items, despite the challenging environment in some of our markets. On a constant currency basis and before investment in IPF Digital, underlying profit increased by 10%.

We made great strides in Mexico where we delivered excellent growth and exceeded our profit per customer target of MXN$660. IPF Digital, created following the acquisition of MCB Finance in February 2015, delivered strong growth in our established markets in Finland and the Baltic States. We continued to grow our digital businesses in Poland and Australia, and delivered our first digital loans to customers in Spain in December 2015. Our European home credit businesses increased underlying profit in challenging trading conditions despite a disappointing performance in the Czech Republic and Slovakia.

We continued to focus on delivering value to our shareholders and completed our fourth share buyback programme since we launched our Strategy for Growth. We also raised our target dividend ratio pay-out rate to 35% of pre-exceptional post-tax earnings. The Board is recommending a final dividend of 7.8 pence per share. This will bring the full year dividend to 12.4 pence per share and a total pay-out ratio of 33%.

Our 2015 results include an exceptional charge relating to Slovakia as a result of legislative changes. Further details are set out on page 26. Looking ahead this new regulation, together with key regulatory changes in Poland, will impact our financial results in 2016 and beyond. However, our European home credit business is cash and capital generative, Mexico is growing well and our digital business is starting to show promise.

BOARD CHANGES

We strengthened the Group Board and Committee composition in 2015 to complement our existing talent and bring fresh perspective and challenge, particularly in the areas of digital strategy and e-commerce.

In June, we welcomed Jayne Almond as an independent non-executive director. Her extensive financial services expertise and strong background in the areas of consumer finance, marketing and strategy will be extremely valuable in the years ahead. John Mangelaars joined the Board in July, also as an independent non-executive director, and his experience in sales and e-commerce will be a valuable addition as we seek to expand our digital lending business and increase our penetration in online sales channels. He also chairs our Transformation for Growth Committee. Richard Moat succeeded Nicholas Page as Chairman of the Audit and Risk Committee in September 2015. With effect from January 2016, in line with good governance practice to keep committee membership and chairmanship refreshed, Cathryn Riley succeeded Tony Hales as Remuneration Committee Chair. Tony will continue in his role of Senior Independent Director.

We said farewell to Christopher Rodrigues who retired after eight years as Chairman, and non-executive director, Nicholas Page. On behalf of the Board we thank them for their valuable contribution.

More recently, following a review of the cost base of the IPF Group head office and as part of a broader collective consultation, David Broadbent, Chief Commercial Officer, resigned from the Board on 23 February 2016 and will leave the Company on 7 March 2016 by reason of redundancy. We are most grateful to David for his immense contribution to the Group. During his sixteen years' service with IPF and the former parent company, Provident Financial, David has been a key member of the leadership team which helped establish IPF as a listed public company and has developed the business we have today. The Board would like to thank David for his loyalty, dedication and valued contribution, and we wish him every success in the future.

PEOPLE AND VALUES

We continued to invest in our people to ensure we have the capabilities to realise our long-term ambitions, particularly through our Leading for Growth and Aspire development programmes. We were also recognised for our outstanding commitment to our colleagues and I'm delighted to report that Provident Hungary was awarded national employer of the year, Provident Mexico was certified as a 'great place to work' and Provident Poland was recognised as a top employer.

Our values of being responsible, respectful and straightforward underpin all that we do and 2015 saw reinforcement of our ethical standards with our ethics e-learning test extended to include agents. We also held our second annual Group-wide Ethics Week in November.

The commitment of our people to our customers and growing the business remains central to our success. I would like to close by saying a heartfelt thank you to all our management, employees and agents for their hard work and dedication during the year. I believe we have the foundations in place to take advantage of the opportunities we have identified and modernise the business to manage the continued competitive and regulatory challenges we face. I look forward to driving forward our business.

Dan O'Connor
Chairman

MEETING THE HIGHEST STANDARD IN GOVERNANCE

It is more important than ever to maintain the highest standards of corporate governance, particularly in an environment of intense regulatory focus. As a UK listed company, we comply with the UK Corporate Governance Code and full details are set out in the Governance section of this report.

For more information see page 46

Our twin track approach

We provide credit responsibly to people who want to borrow small sums and repay in manageable, affordable amounts. We have two distinct offerings – home credit and digital.

PROVIDING THE RIGHT SERVICES…

We are responding to changing consumer behaviours and evolving our products and services to ensure we continue to provide credit products that existing and potential new customers want, when they want them and how they want to be served.

For more information see page 16

IN THE RIGHT WAY

Responsible lending is at the core of our business model. Our loans are affordable, accessible and transparent.

For more information see page 24

HOME CREDIT

Typically, our home credit loans are repaid weekly over 60 weeks, though monthly repayments and shorter and longer terms are available. Our customers have lower, often fluctuating incomes or little or no previous credit history. Our agents visit customers in their home to arrange loans, to collect repayments and to plan for any future loans. Customers value the convenience and discipline of the agent visit and the fact that currently there are usually no extra charges for missed or late repayments.

2.7M customers

DIGITAL

Our digital instalment loans and revolving credit line facility with manageable credit limits are accessed online and repaid monthly over terms of up to three years. Our digital customers have low to middle incomes and, compared to home credit customers, they often have a deeper credit history and higher smartphone adoption. It often takes less than 15 minutes from successful application to customers receiving their loan in their bank account.

134,000 customers

OUR BRANDS

We have a multi-brand, product and channel offering to meet different customer needs and market requirements.

Provident

Credit24 hapiloans sving

We are a profitable, well-funded business. We offer a clear investment proposition and have a sound track record of growing the underlying profitability of our business.

We are committed to delivering sustainable returns to our shareholders. We see significant growth opportunities for our business driven by our home credit operations in Mexico and Romania-Bulgaria, and IPF Digital. This growth will be supported by reinvestment of capital generated by our established home credit operations.

1 COMPLEMENTARY AND VALUED BUSINESS MODELS

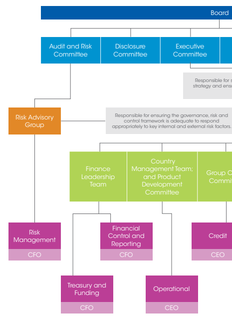
We are evolving our business to reach a greater share of customers who are poorly served by mainstream financial providers. We know our customer segment better than most and understand their changing needs. Our home credit and digital business models together with our portfolio of brands help us serve customers with products they value. The relationship between our two business models is being managed to maximise referrals so that we are better placed than competitors to offer credit to those customers we know best.

See page 6

2 EFFECTIVE RISK MANAGEMENT

Notwithstanding the regulatory challenges experienced in 2015, we have a good track record of responding to risks and opportunities. Our control framework and the processes we implement to identify and manage risks underpin our decision-making. This dynamic, well-developed system is integrated at all levels of the Group and aligned to our strategic objectives to deliver long-term growth and protect our people, assets and reputation.

See page 38



3 A PEOPLE BUSINESS

We are committed to supporting the growth, development and engagement of our people in order to grow an ethical, sustainable business. Our Board and senior management bring together extensive experience of working in international markets, consumer finance and digital technologies. We attract and retain experienced, high potential individuals who understand our customers and the products we serve. We are also building a robust talent pipeline to support further expansion.

See page 10

65.6%
Agent retention

74.5%
Employee retention

4 STRONG FINANCIAL PROFILE

Our business is cash and capital generative. Our strategy is underpinned by a strong and diverse debt funding structure with a mix of bond and bank facilities, and balanced maturity profile. We have demonstrated our commitment to making our balance sheet work harder in order to optimise the amount of equity capital in the business for growth and enhance shareholder returns through share buybacks and a progressive dividend policy.

See page 34

40.8%
Equity to receivables

5 HIGHLY PROFITABLE BUSINESS

We have a good record of generating underlying profit and see significant future growth opportunities for our home credit businesses in Mexico and Romania-Bulgaria, and IPF Digital. The cash and capital generated by our established home credit operations will be reinvested in our growth businesses and used to deliver further returns to our shareholders.

See page 18

10%
underlying profit growth

How we deliver value…

Our home credit and digital business models drive our strategy and are underpinned by a robust governance framework. They work together to drive returns for shareholders, while delivering value for our customers, people and the communities in which we operate.

FINANCE AND TREASURY: DELIVERING SUSTAINABLE PROFITABILITY

We are well-funded from diversified sources to support the long-term growth of the business. Our established home credit businesses are cash and capital generative enabling investment in IPF Digital and growth home credit operations. We are committed to maintaining a strong balance sheet and we expect our strategy will generate a sustainable profitable performance which will, in turn, increase value for shareholders.

MARKETING: DELIVERING HOME CREDIT AND DIGITAL LOANS

Our customers are underserved by mainstream financial services providers. We know them well and have introduced new loan products to match their changing needs. Our customers want small-sum loans that are repaid in manageable instalments, either in their home, or direct via their bank account through our money transfer or digital offerings. We attract customers to our multi-brand portfolio through traditional and online marketing. Our agency force is also a powerful source of word of mouth recommendations for the home credit business.

SALES AND EXCELLENT SERVICE: WE UNDERSTAND OUR CUSTOMERS

Our home credit agents have strong, personal relationships with their customers and provide a valuable, convenient service. Our digital business utilises customer relationship management systems to generate further sustainable sales. To date, forbearance has been an important feature of our offering whereby home credit customers taking our agent service are not charged any default or penalty fees when they face financial problems and miss a repayment. This is unique to our home credit business but as the regulatory and competitive environment evolves we are considering how to make this feature more relevant. Digital customers with a good repayment history may take a repayment holiday periodically.

CREDIT: RESPONSIBLE LENDING

For both our home credit and digital business models, credit risk is managed carefully through robust application scoring systems, supported by credit bureaux, and for existing customers we use powerful behavioural models. We have a 'low and grow' strategy starting new customers on smaller, shorter-term loans and only offer more credit once their creditworthiness is proven. In our home credit business, agents meet their customers in their homes and are critical to good lending decisions. They are also rewarded largely on the amount of money they collect from customers which supports responsible lending.

…for all our stakeholders

1 OUR CUSTOMERS

See page 8

We meet the everyday needs of our customers through our home credit and digital businesses.

2 OUR PEOPLE

See page 10

We are committed to supporting the growth and development of our people in line with our strategic goals.

3 OUR COMMUNITIES

See page 12

We are a responsible, ethical and inclusive lender bringing long-term benefits to the communities that we serve.

4 OUR SHAREHOLDERS

See page 14

We have a solid track record of delivering underlying profit and returns for our shareholders.

1

DELIVERING VALUE FOR OUR CUSTOMERS

home credit

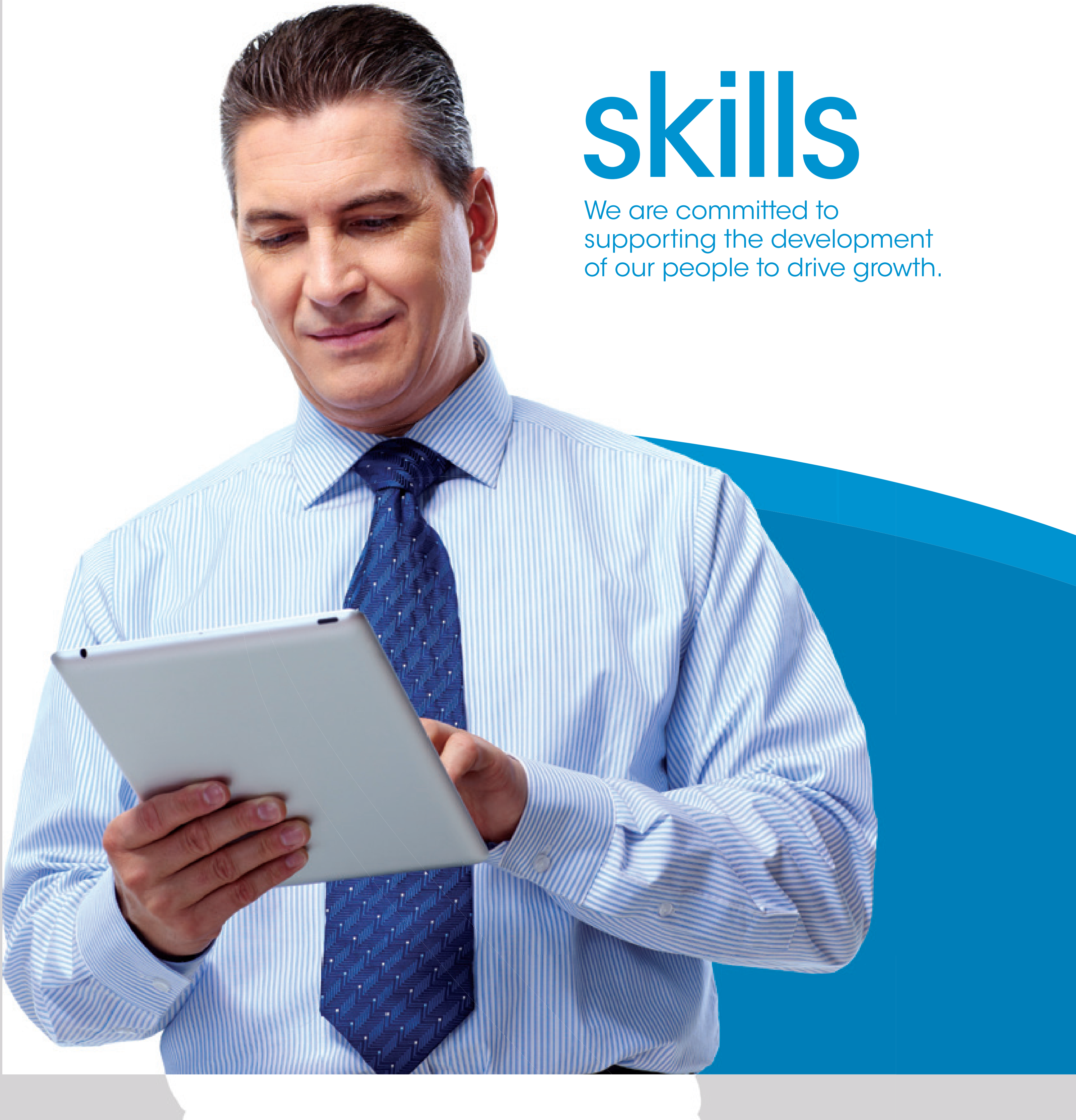
Our relationship with our home credit customers is unique. Our agents visit every home credit customer before we offer a loan and the regular face-to-face contact means we understand their evolving needs.

We have made great progress in modernising our home credit business while maintaining relationships with our customers to ensure we remain an attractive and valued provider of credit to them. We now offer a much wider choice of home credit products and service enhancements, both to attract new and retain existing customers.

Our digital offering, which comprises instalment loans and revolving credit line products, gives us the opportunity to attract customers who want to take out loans online. With the number of smartphone subscriptions set almost to double worldwide from 3,400 million in 2015 to 6,400 million in 2021*, our digital loans are an attractive proposition for those consumers who increasingly want to operate online, typically at a lower cost than home credit.

* Ericsson Mobility Report November 2015.

and digital



skills

We are committed to supporting the development of our people to drive growth.

Careful people and organisational planning supports our Strategy for Growth. We identify high potential individuals and support them to grow and further contribute to developing our credit offerings to customers, the business and their careers.

Our people strategy and organisational planning focuses on creating a culture of high engagement, identifying and nurturing talent and empowering people to be the best they can be.

Our leadership and talent development programmes ensure we have the right people and behaviours to drive forward our business. In 2015, we extended our Aspire programme to include Credit Risk Management graduates and launched our Aspire Finance Future Leaders programme.

We also piloted a new sales and service organisational structure and new ways of working in Hungary to streamline our operations and put decision-making closer to our customers. This will not only empower our people but also give our operational managers the time to develop their teams and customer service.

This sustained investment, underpinned by our ethical approach to responsible lending, has not only seen us recognised externally as a great place to work, but has also helped to maintain high levels of employee and agent retention.

and service

customers

The weekly face-to-face contact with our home credit customers distinguishes us from most other financial services providers and more so since many of our agents live in the communities they serve. Many of our agents are former customers and there is a strong bond that exists between customer and agent.

This unique presence delivers value for our communities. We pride ourselves on being an inclusive lender that is responsible, ethical and trusted. Many of our customers are relatively underserved by mainstream finance providers and may be taking out a loan from a financial organisation for the first time.

Improving levels of customer consideration for our products is helped by excellent levels of awareness of our Provident brand, and in some markets such as Poland, Hungary and Romania this awareness exceeds 90%.

Our responsible approach to lending means that we deliver long-term benefits and choices to our customers and the communities where they live.

Our established presence in so many communities also brings other benefits. Our administrative branches play a role in supporting local good causes and each of our home credit markets actively promote financial literacy to help build customer awareness around responsible borrowing and budgeting. In 2015, we invested £500,000 in community initiatives and our teams dedicated 11,500 hours volunteering in community projects. We are also a major employer and contribute to local and national taxes.

and communities

4

DELIVERING VALUE FOR OUR SHAREHOLDERS

growth

We are focused on serving our customers well and managing the business to deliver returns to our investors. We have a strong track record of growing the underlying profitability of our business and are committed to delivering tangible returns to shareholders while retaining sufficient capital for growth.

Our Strategy for Growth is focused on driving the opportunities that we see to increase the size of our businesses significantly in the medium term. Our established home credit operations will maximise generation of capital and focus on delivering improvements in operating efficiencies, margins and returns to support growth and shareholder returns. We will grow by investing in IPF Digital and those home credit operations where there are clear opportunities to expand our footprint and broaden our appeal to more customers.

We have a strong funding position with a balanced debt portfolio. More than 60% of our funding facilities have maturity dates in 2020/2021 and we have good cover against our core funding covenants.

Our established home credit businesses generate excellent returns on equity in excess of 30%, and we expect our newer markets and start-up businesses to generate good returns at maturity.

We have a robust, well-capitalised balance sheet to support long-term growth. Our commitment to work the balance sheet harder has enabled us to return more to shareholders through a 35% dividend pay-out target and £155 million in share buyback programmes undertaken since 2012.

and returns

"We are an international consumer credit group and have evolved our strategy to take advantage of significant growth opportunities."

Gerard Ryan
Chief Executive Officer

Evolving our business

MARKET OVERVIEW AND PERFORMANCE

In thinking about my statement for this year's Annual Report, it became clear to me that whatever approach I took in talking about our achievements during the year, there is no escaping the fact that regulatory change in Europe will be the foremost issue on everyone's mind. That being the case, I'd like to deal with this topic up front.

THE NATURE OF REGULATORY CHANGE

Good regulation is an absolute necessity in the consumer finance market and even more so in the underbanked and underserved market, which is our area of expertise. Regulators have become increasingly active in consumer finance, conducting more reviews and introducing new legislation and regulations – some of which have been adopted with limited levels of consultation at the last stage of a parliamentary process.

In 2015, there were two key regulatory changes that will significantly impact our business adversely. In July, we announced that a new cap on non-interest costs on consumer credit granted in Poland would significantly affect our business. The new regulation will become effective on 11 March 2016 and we have a new product structure that will comply with the new requirements and is well placed to meet customers' needs. The financial impact of this change, as far as we can assess at this stage, is outlined in the performance review on page 28, but we expect that the Polish business will remain of high quality and deliver return on equity above the average for the Group.

In December 2015, an amendment to the Civil Code in Slovakia came into law which prohibits separate contracts for 'ancillary' services linked to the provision of consumer loans. Our home delivery and collection service comes under this category and so, were we to continue issuing new loans, all such fees would need to be included within one loan agreement and be subject to prevailing price caps. Consequently, all costs associated with a loan, whether mandatory or not, must fall within the existing remuneration cap which is currently approximately 27% per annum of issue value for loans greater than one year and 37% for shorter durations. Following a detailed review of the expected impact of the new legislation on our business in Slovakia, we suspended issuing new loans in December and have since decided to run off our agent-delivered home credit operations in Slovakia. As a result of the run off there is an exceptional charge in our 2015 results, £18.6 million of which relates to Slovakia. Further details are set out on page 26. We are continuing to review alternative business models while we collect out the portfolio.

A new bank tax in Poland, new payment-to-income regulations in Hungary and changes to the employment status of agents in Romania were also made in 2015, details of which can be found in our Operational review on pages 26-33.

We believe that this intense focus on regulation will continue in 2016 and, in response to the more overtly political nature of some of the most recent changes, we have further increased the level of monitoring of regulatory matters, strengthened our anticipation and engagement capabilities in-market and renewed our association and sector reputation strategy.

ROBUST FINANCIAL PERFORMANCE

Set against the changing regulatory backdrop, we broadened our product range and delivered a robust financial performance with strong underlying growth in profit before exceptional items of 10% (£12.6 million). Group profit before tax and exceptional items for the year was £116.1 million (2014: £123.5 million) and statutory profit before taxation was £100.2 million (2014: £100.2 million).

This is the first year in which we need to distinguish between our home credit businesses and IPF Digital, which was created following the acquisition of MCB Finance.

We made great progress against our strategic aim to develop a digital offering. We successfully integrated MCB Finance with our hapiloans operation to create IPF Digital and had a tremendous year, growing customers by 46% to 134,000 and credit issued by 34%. In addition, we set up a digital business in Spain and issued our first loans in December. IPF Digital is co-operating closely with our home credit business in Poland-Lithuania to offer consumers, who have been turned down for credit in our digital business, an opportunity to seek credit through our agent model.

In prior years, I have talked about how all of our businesses delivered growth. In 2015, our home credit businesses achieved different results, in the main driven by the nature of competition and regulation.

In Mexico, we delivered a record profit before tax of £21.9 million and another year of fantastic growth, continuing the trend of robust results over the past three years. We reached profit per customer of MXN$665 against our target of MXN$660, and grew customers by 8% to 851,000. We are confident that we can continue to build out our infrastructure in Mexico in what continues to be a very promising market.

In our European home credit businesses, we focused on building growth momentum following a slowdown at the end of 2014. Through refining marketing with clearer call to action, broadening the product range and targeted credit easing we delivered a progressive improvement in credit issued growth throughout the year which was led by a strong performance in Southern Europe and good growth in Poland-Lithuania in the second half of the year. In contrast, credit issued continued to contract in the Czech Republic and Slovakia with a particularly weak performance in Q4, driven partially by the decision to suspend new lending in Slovakia in the run up to Christmas.

CHANGING FACE OF COMPETITION

Our core segment of customers is relatively underserved by mainstream financial services providers because they may have a limited or poor credit history, or lower, fluctuating income.

With the development of mobile and digital technology, there is no doubt that consumers are becoming more familiar and comfortable carrying out financial transactions online. This certainly applies to sourcing loans online. Even though the majority of our home credit customers would not have the credit profile to get approved for a remote digital loan, they and we are certainly being impacted by the proliferation of high profile advertising and online offers, including "first loan for free", from digital lenders. Competition has intensified and we now operate in a marketplace where payday and other digital lenders, and to a lesser extent banks, are willing to take more risk and compete for our most creditworthy customers.

This change in the marketplace, however, has created new opportunities for us to serve a wider range of customers in our target segment who want to borrow online, quickly and easily and without an agent service.

GOOD PROGRESS ON STRATEGY

We launched our Strategy for Growth in 2012 with the vision to transform our business from a single product, single distribution channel provider of small-sum consumer credit to a multiple product, brand and distribution channel operator. We also sought to expand our geographic footprint and invest in technology to improve the experience for our customers and drive further efficiencies within the business.

We have made good progress on our Strategy for Growth since 2012, increasing customer numbers by 400,000 (16%) to 2.8 million and delivering underlying profit growth of £53 million (before new business investment of £14 million and FX impacts of £18 million).

The key achievements under the four pillars of our strategy are:

Expand our footprint
- Significantly expanded our geographic footprint from 6 to 13 markets.

Customer engagement
- Broadened our home credit product portfolio to create a more appealing and competitive offering.
- Responded to the growing digitisation of the consumer credit market with the creation of IPF Digital.
- Developed a Provident-branded digital alternative to our agent model to maximise the strong Provident awareness and customer traffic to our websites that our home credit businesses enjoy.

Sales culture
- Launched a real-time service on our customer-facing websites to give consumers an instant in-principle credit decision.
- Implemented a new sales and service organisational structure in Hungary to improve the customer journey and drive cost efficiencies.
- Commenced a pilot of agent handheld technology.

Effective execution
- Introduced a global credit decision system utilising credit bureaux data to improve lending decisions.
- Introduced tablet technology for every Development Manager across the Group.

EVOLVED STRATEGY

We are operating in a dynamic environment and have evolved our strategy to maximise the opportunity in an increasingly digital world, and one in which regulation and competition have intensified. We have refocused the four pillars of our strategy and redefined the positioning of our businesses so as to deliver sustainable growth into the future, to enhance our profitability and to make efficient use of capital.

We have now segmented our operations to reflect the fact that our businesses are at different stages of maturity. Our established home credit businesses are highly cash and capital generative and we expect them to continue to provide attractive returns. We will invest this cash flow in our high growth businesses and provide progressive returns to our shareholders. Our segments are:

1. **Established businesses – home credit**

Poland-Lithuania, Czech Republic and Hungary.

We will focus on delivering efficiency and maximising the value generated from these businesses while attracting customers through channel development, including digital offerings. The cash and capital generated will be reinvested in developing our growth businesses and supporting returns to shareholders.

2. **Growth businesses – home credit**

Mexico and Romania-Bulgaria

We intend to accelerate top-line growth in Mexico through geographic expansion and broadening our product offering. We will also deepen our coverage in Romania-Bulgaria to reach more customers and bring these businesses to maturity.

OUR REFOCUSED STRATEGY FOR GROWTH

1 EXPANDING OUR FOOTPRINT

Build on considerable digital opportunity in Poland, Australia and Spain and consider digital business in Mexico. Expand infrastructure in Mexico and continue to review opportunities to open new home credit businesses. Search for suitable acquisition opportunities.

2 IMPROVING CUSTOMER ENGAGEMENT

Having expanded our product set considerably in the past three years, focus on adding digital channels to make our customer journey as easy as possible.

3 DEVELOPING A SALES CULTURE

Further develop the relationship between our home credit and digital businesses, and strengthen our sales and service capability.

4 EFFECTIVE EXECUTION

Use technology to improve our customer service, increase efficiency and reduce our cost base.

OUR SEGMENTED BUSINESS

GROWTH

Digital	Growth home credit
Credit24 hapiloans sving	Provident Mexico Romania-Bulgaria
• Significantly grow profit in established digital markets • Underpin growth with investment in head office capability and functionality	• Mexico – expand footprint and develop new acquisition channels • Europe – infill infrastructure and develop new distribution channels • Drive significant cost-leverage through increased scale, agent technology and new sales and service organisational design

RETURNS FOCUSED

Established home credit

Provident

Poland-Lithuania Czech Republic Hungary

- Roll out Provident digital offer to leverage brand
- Optimise customer propositions and pricing to maximise profitability
- Drive cost-efficiencies through agent technology and new sales and service organisational design

3. **Growth businesses – IPF Digital**
We will focus our investment in driving profitable top-line growth in IPF Digital where there is growing demand within our target segment of consumers for digital loans. We will continue to leverage our businesses in Finland and the Baltics and develop digital opportunities in our new markets in Poland, Australia and Spain. Together, these new markets represent an opportunity in terms of population reach of more than 100 million. We are also actively considering commencing a digital business in Mexico.

In markets where we operate both home credit and digital business models, we will continue to develop the flow of referrals between the two models to optimise potential new business and acceptance rates.

With this segmentation in place, the four pillars of our Strategy for Growth remain but the elements of each have evolved to maximise growth and deliver further returns to shareholders.

IN SUMMARY

We have delivered a robust financial performance in 2015, despite a number of significant regulatory matters impacting the business. It was an excellent year for IPF Digital and Mexico, and we intend to increase our investment and accelerate expansion plans in these businesses. Our European home credit businesses, with the exception of the Czech-Slovakia market, increased underlying profit in challenging trading conditions. New legislation in Poland and Slovakia will impact our profitability materially in 2016 and beyond, and we expect regulatory headwinds to continue. We are, nevertheless, committed to delivering sustainable returns to our shareholders and have evolved our strategy to reflect the changing market environment in order to underpin this commitment.

Gerard Ryan
Chief Executive Officer

Progress on our strategy

1 EXPANDING OUR FOOTPRINT

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

Progress in 2015

Our key objectives for 2015 were to return our home credit business to growth after a slowdown at the end of 2014 and grow our digital lending offering. The implementation of a range of growth actions, together with expanding our geographic footprint, supported a 7% increase in customer numbers to 2.8 million. However, intensifying competition and regulatory changes impacted our European home credit businesses where customer numbers contracted by 1%. Consequently, we focused on improving efficiency in the business and reduced agent numbers.

In our home credit business, we opened a further two locations in Mexico and achieved national coverage in Lithuania and Bulgaria in the first half of 2015.

The creation of IPF Digital, following the acquisition of MCB Finance, brought four new countries – Finland, Estonia, Latvia and Australia – as well as greatly increasing our presence in Lithuania. We expanded our digital presence in Poland and Australia and issued our first digital loans to customers in Spain in December 2015.

Future targets

We see substantial opportunities to expand our home credit businesses in Mexico and Romania-Bulgaria, which have not achieved market maturity.

The expansion of our digital business is a major strategic opportunity and we will focus on developing our new markets in Poland, Australia and Spain. We are also actively considering commencing a digital business in Mexico.

KPIs	2,813 Customers ('000)	28,500 Agents
	2013: 2,578 2014: 2,640 2015: 2,813	2013: 30,000 2014: 30,000 2015: 28,500
Definition	The total number of customers across the Group.	The total number of agents in our home credit business.
Rationale	Customer numbers demonstrate our scale and reach in our individual markets. While growth of our customer base is critically important to our continued success, we will reject potential new customers and not seek to retain existing customers who contravene our credit policies or have a poor repayment record.	The number of agents determines how many customers we can serve. We motivate and guide agents to develop their customer portfolios and retain quality customers.

2 IMPROVING CUSTOMER ENGAGEMENT

We will expand our product set and, moving forward, focus on adding digital channels and using technology to make our customer journey as easy as possible.

Progress in 2015
Customer retention and our customer service score have remained broadly stable during a period where we have experienced growing competition and slower growth in some of our European markets.

In 2015, we continued our strategy to broaden our product portfolio to create a more appealing and competitive offering. Most of our home credit businesses introduced shorter-term loans of around three months in response to demand from some consumers to repay loans over shorter terms. We extended our range of longer-term loans and now offer home credit loans repayable up to 130 weeks in Europe. We also launched a monthly home credit offering in our established European markets.

Our insurance propositions, which are sold with our home credit loans in some markets, continue to be well valued by our customers. In Mexico, 320,000 customers have chosen to take Provident Plus (family life and medical assistance cover) since it was launched in July 2014. In Poland, an optional medical policy is offered and since February 2015 we have sold around 270,000 of these policies. In Hungary, we achieved national roll out of our home, life and family personal accident cover.

We made excellent progress in developing our digital lending proposition to reach new customers who want to borrow digitally and communicate remotely. We now offer digital credit through three brands – hapiloans, Credit 24 and Sving. We also began testing a Provident digital loan in Poland to leverage our strong brand awareness and customer traffic to our websites, which also now feature online decision in principle functionality.

Future targets
Having expanded our product set considerably in the past three years, we will focus on adding digital channels and using technology to improve the customer journey.

KPIs	57.1% Customer retention (%)	48.5 Customer service score
	2013: 57.4 2014: 58.4 2015: 57.1	2013: 50.0 2014: 49.0 2015: 48.5
Definition	The proportion of customers who are being retained for their third or subsequent loan.	The score is a net promoter score and is based on those home credit customers who make a clear statement that they would recommend our service to a colleague or friend.
Rationale	Our ability to retain customers is central to achieving our financial targets and growth ambitions and is a key indicator of the quality of our customer service. We do not retain customers who have a poor payment history as it can create a continuing impairment risk and runs counter to our responsible lending commitments.	Excellent customer service drives improved and sustained revenue growth through existing customers and through them becoming advocates of our brand and product. It is also a key measure of our objective to treat customers fairly.

3 DEVELOPING A SALES CULTURE

We will further develop the relationship between our home credit and digital businesses, and strengthen our sales and service capability.

Progress in 2015
We grew customers by 7% and at constant FX rates we delivered a 13% increase in credit issued and grew revenue by 4%.

We implemented a new sales and service organisational structure and ways of working for our customer-facing functions in Hungary. Focused on driving efficient and sustainable growth and improving our customers' experience, this new approach frees up our Development Managers to focus on developing high performance teams and more closely co-operate with agents and their customers.

The introduction of our digital offerings in Poland and Lithuania, where we also have home credit operations, has enabled us to develop a flow of business between digital and home credit to optimise referrals and acceptance rates in these markets. This is at an early stage of development, but we believe it will be important in helping us retain home credit customers who are looking for a digital offering and allow us to refer consumers who fail our digital credit score to our home credit business.

While we expect some short-term effects of our new sales and service organisational structure on our employee and agent retention, the aim of the new approach is expected to enhance retention in years to come.

Future targets
We will implement the sales and service organisational structure in all our home credit businesses.

We will also further develop the relationship between our home credit and digital business models in markets where both offerings are available.

KPIs

Employee 74.5% Agent 65.6%
Employee and agent retention (%)

2013	Employee	82.2
2013	Agent	67.6
2014	Employee	81.1
2014	Agent	65.2
2015	Employee	74.5
2015	Agent	65.6

● Employee ● Agent

£376
Credit issued per customer (£)

2013	421
2014	392
2015	376

£735.4M
Revenue (£M)

2013	746.8
2014	783.2
2015	735.4

Definition

Employee and agent retention: The proportion of employees and agents who have been working with us for more than 12 months.

Credit issued per customer: The value of money loaned to customers measured over the previous 12 months.

Revenue: Revenue is income generated from customer receivables.

Rationale

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

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

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

4 EFFECTIVE EXECUTION

We will invest in technology to improve our customer service, increase efficiency and reduce our cost base.

Progress in 2015

Our Transformation for Growth ("T4G") programme to modernise the home credit business model underpinned a number of strategic developments. We also faced a number of challenges which led to some delivery delays.

We introduced a credit decisioning system linked to credit bureaux to enable better quality lending decisions. This, together with a robust collections performance and the contribution from debt sales, led to an improvement in impairment as a percentage of revenue.

We continued to control costs tightly but the contraction in revenue resulted in an increase in the cost-income ratio to 41.4%. Credit exceptions increased mainly in Poland and the Czech Republic. We have taken action and are starting to see improvements in these levels.

We launched responsive websites to enable our home credit customers in Europe to apply for loans online and receive an instant decision in principle. We also began a test of handheld technology for agents.

In response to changes to legislative processes, we have increased the level of monitoring of regulatory matters, strengthened our anticipation and engagement capabilities in-market and renewed our association and sector reputation strategy.

Future targets

A formal review of T4G resulted in the future scope of the programme being focused on efficiency. We will implement a cost optimisation programme to drive operating efficiencies through agent handheld technology and our new sales and service organisational structure. Further information on our T4G programme can be found on page 58.

KPIs

3.6%
Credit exceptions (%)

2013	2.3
2014	3.0
2015	3.6

25.7%
Impairment (%)

2013	26.6
2014	28.1
2015	25.7

41.4%
Cost-income (%)

2013	39.5
2014	38.8
2015	41.4

Definition

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

Impairment: The amount charged as a cost to the income statement as a result of customers defaulting on contractual loan payments stated as a percentage of revenue.

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

Rationale

Credit exceptions: Our credit policies set out our basis for responsible lending. They also set limits for lending activity that reflect our credit risk appetite.

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

Cost-income: The cost-income ratio is useful for comparing performance across markets.

Creating a sustainable business

We are making decisions which will pay off over the next five years, not just at the end of this financial year.

Our sustainability strategy focuses on managing financial, social and environmental risks, obligations and opportunities to create a successful business in the long term, not just at the end of this financial year. Stakeholder engagement is at the heart of our sustainability activity. We seek to establish and maintain relationships with all our stakeholders from customers, employees and agents to regulators, community groups, NGOs and shareholders. We have enshrined the basis of this co-operation in our Code of Ethics. Responsible lending, business ethics and aiming to raise operational standards in our sector, together with our regulatory anticipation and engagement strategy, are helping to strengthen our reputation and so build regulatory resilience.

SUSTAINABILITY OBJECTIVES

Our current objectives have been set over a three year period and are due to be completed in 2016.

2013 – 2016 objective	On target?	Progress
Embed our Code of Ethics throughout the organisation and ensure that all employees and agents are aware of, and actively engage with, the Code.	✓	• Integrating ethics into our culture • 97% of employees and 80% of our European agents successfully completed ethics training. Agents in Mexico will complete this training in H1 2016 • Introduced formal process integrating ethical considerations into product development • Ethics Working Groups established to monitor ethical issues and influence ethical culture
Promote responsible lending and financial inclusion throughout our core business activities and community investment.	✓	• Credit bureaux now used by all our businesses enabling more robust, responsible lending decisions and also helping customers build a credit record • Financial literacy education in partnership with NGOs • Financial literacy workshops, seminars and budgeting apps undertaken with customers
Renew community investment programmes to show that 'Provident nurtures talent' and demonstrably delivers outputs and impacts, both for the business and the community in which we operate.	✓	• Nurturing talent and financial literacy community programmes in all home credit businesses • £500,000 invested in local communities in 2015 • 11,500 employee volunteer hours donated in 2015 • 145,000 individuals benefited from our community activities in 2015 • Increased media visibility supporting employee engagement and brand building
Manage our environmental impact and reduce our carbon footprint by 7.5% per customer (compared with 2013 levels).	✓	• Reduced our carbon footprint (scope 1 and 2) per customer by 12.5% in 2015 compared to 2013 levels • Comprehensive Environmental Management System (EMS) to manage environmental issues throughout the business

Supporting artistic talent with our stARTs programme in Romania

CASE STUDY: ETHICS WEEK

Communicating with employees is a priority in our business ethics programme. We are generating employee conversations about how ethics relates to our day-to-day professional lives and the ethical dilemmas employees and agents may face. Creating an ethical culture is led by our senior team with a groundswell of employee interest and involvement. In November, we ran our second annual Group-wide Ethics Week which included:

- A live webcast from Warsaw broadcast to employees in all our markets. Our Group Chief Executive Officer and Country Manager for Poland took questions on air and employees voted in a live ethics poll.
- An ethics film featuring senior leaders talking about a time when they have faced an ethical dilemma in their working lives, how they handled it and the outcome.
- Launching the IPF 'ethi-check', which gives employees a simple guide to making ethical decisions. The questions are designed to frame business decisions from an ethical perspective and encourage employees to take a holistic approach to decision-making.
- Rolling-out comprehensive training for employees and agents on business ethics. The training was designed specifically around the challenges that employees and agents meet in their everyday working life. The training also included a test of understanding on handling these dilemmas. 97% of our employees and 80% of our European agents completed the training successfully. Our agents in Mexico will complete this training in the first half of 2016.

"Once you have in mind that your decision can have a real impact on your colleagues, your customers, your agents or your partners, you might think twice before acting. This is what the ethi-check has helped us to do. We have an improved decision-making process and better communication of the situations that might impact on the reputation of the individual or the Company."

Marius Nicolaescu
Corporate Affairs Officer, Provident Romania

HUMAN RIGHTS AND DIVERSITY

We are committed to human rights and work to ensure that we do not infringe on any human rights through our operations or business relationships. We are a signatory to the United Nations Global Compact and these principles are enshrined in our values and Code of Ethics which are communicated to employees, built into our training programmes and integrated into our policies.

Human rights form part of our sustainability and ethics programme and we provide employees with access to a confidential whistle-blowing hotline to ensure that any concerns can be escalated appropriately. These processes and mechanisms are monitored at our quarterly Reputation and Regulation Committee as well as through our risk management processes. We publish an annual Communication on Progress as part of our membership of the United Nations Global Compact, which can be found at www.ipfin.co.uk/sustainability.

We are committed to diversity and take steps to ensure that our business processes encourage recruitment, selection and reward based purely on merit. We actively encourage gender diversity through our executive search criteria and target numbers of women on certain job shortlists. There are two female members of our Board (22% of total membership) and we are also looking to develop future talent through our Aspire Leadership programme which has 34% female representation, our Finance Future Leaders Programme which comprises 62% female colleagues and our Credit Risk Management Graduate Programme, three quarters of whom are female.

Gender split at 31 December 2015

	Men	Women
Board	7	2
Senior Managers	166	68
All other employees*	3,555	4,080

* Excluding agents in Hungary and Romania.

Robust financial performance

We broadened our product range and delivered a robust financial performance in 2015.

2015 RESULTS

We delivered a robust financial performance with strong underlying growth in profit before exceptional items of 10% (£12.6 million). This was offset by £2.8 million of incremental investment costs in IPF Digital and £17.2 million from weaker FX rates.

Group profit before tax and exceptional items for the year was £116.1 million and statutory profit before taxation was £100.2 million.

EXCEPTIONAL ITEM

The income statement includes an exceptional loss of £22.4 million which comprises a pre-tax exceptional loss of £15.9 million and an exceptional tax charge of £6.5 million.

The exceptional loss includes £18.6 million in respect of the change in Slovak rate cap legislation in December 2015, following which a decision was made to wind down our home credit operation in Slovakia. It comprises of an £11.2 million charge against profit before tax and the write-off of a deferred tax asset of £7.4 million that we no longer expect to be realised. The pre-tax loss comprises a provision taken against the carrying value of the receivables book based on our best estimate of the value and timing of collections of £10.3 million and £0.9 million from the write down of fixed assets.

We also reported an exceptional cost of £4.7 million in our half year results, which comprised £2.5 million in respect of MCB Finance integration costs (principally a write-down of IT assets) and £2.2 million (principally contractual obligations and IT write-offs) relating to the closure costs of our home credit business in Spain. There is a corresponding tax credit of £0.9 million relating to these two items.

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

OUTLOOK

We expect the competitive and regulatory environment to remain challenging and these factors will be a major focus for us in 2016. The regulatory changes announced in 2015 will impact profitability in Poland in 2016 and beyond, and have a significant impact on our business model in Slovakia. We expect these factors, together with costs associated with employing agents in Romania, the new bank tax in Poland and lower profit from debt sales this year, will reduce Group profit before tax in 2016.

Despite these headwinds we see major opportunities to optimise the performance of our established home credit businesses and invest in the significant opportunities available in our growth markets.

The Group results are set out below:

	FY 2014 reported profit £M	Underlying profit movement £M	New business costs £M	Weaker FX rates £M	**FY 2015 reported profit £M**
Home credit	140.2	12.0	–	(17.3)	**134.9**
Digital	(1.5)	–	(2.8)	0.1	**(4.2)**
Central costs	(15.2)	0.6	–	–	**(14.6)**
Profit before taxation and exceptional items	123.5	12.6	(2.8)	(17.2)	**116.1**
Exceptional items	(23.3)				**(15.9)**
Statutory profit before taxation	100.2				**100.2**

We are committed to delivering sustainable returns to our shareholders and have evolved our strategy to reflect the changing market environment in order to underpin this commitment.

HOME CREDIT

Our home credit business delivered a profit before taxation and exceptional items of £134.9 million in 2015. Driven largely by lower impairment and good cost control, it generated underlying growth in profit before tax and exceptional items of £12.0 million (9%) before absorbing £17.3 million as a result of weaker FX rates.

This performance was underpinned by an excellent result from our Mexican business where we increased profit from £16.5 million to £21.9 million. In addition, all our European home credit markets, with the exception of the Czech Republic and Slovakia, achieved underlying profit growth before the impact of adverse FX movements.

Through refining our marketing campaigns with clearer call to action, broadening the product range and launching product-led promotions, we successfully reversed the slowdown we saw in our European home credit operations in Q4, 2014. These and other changes resulted in progressive improvement in credit issued growth in Europe throughout the year.

This acceleration in growth in the second half of the year was led by a strong performance in Southern Europe and good growth in Poland-Lithuania. In contrast, credit issued continued to contract in the Czech Republic and Slovakia with a particularly weak performance in Q4, partially driven by the decision to suspend new lending in Slovakia in the run up to Christmas.

Overall, we delivered a 1% increase in customer numbers to 2,679,000 and 4% growth in credit issued. Average net receivables grew by 5% while revenue remained flat due to contracting revenue yields that are a consequence of our customer retention strategy to serve more customers with longer-term and preferentially priced loans. Credit quality remains good as a result of well-managed credit decisioning processes and robust collections. Impairment as a percentage of revenue improved by 2.5 ppts to 25.6%, due to these factors together with a net contribution of £11.1 million (2014: £8.2 million) from debt sales in a number of our markets and some strengthening of our reserves.

Finance costs reduced by 5% reflecting the lower cost of funding following the refinancing of our core Eurobond in 2014, partially offset by an increase in borrowings to fund the share buyback programme. Costs continued to be managed tightly with cost increases held at 1% compared to credit issued growth of 4%. The cost-income ratio increased by 1.1 ppts to 37.8% and is at a similar level to the half year.

SEGMENTAL REVIEW

The following table shows the performance of each of our home credit markets highlighting the impact of weaker FX rates against sterling to provide a better understanding of underlying performance:

Home credit segmental results

	2014 reported profit £M	Underlying profit movement £M	Weaker FX rates £M	**2015 reported profit £M**
Poland-Lithuania	72.5	5.0	(8.5)	**69.0**
Czech-Slovakia	24.3	(2.2)	(2.9)	**19.2**
Southern Europe	28.9	1.6	(3.9)	**26.6**
Mexico	16.5	7.6	(2.2)	**21.9**
Spain	(2.0)	–	0.2	**(1.8)**
Profit before taxation and exceptional items	140.2	12.0	(17.3)	**134.9**

The results for our home credit division are shown in the table below:

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	2,640	**2,679**	39	1.5	1.5
Credit issued	1,021.9	**956.3**	(65.6)	(6.4)	3.8
Average net receivables	760.5	**720.8**	(39.7)	(5.2)	5.1
Revenue	783.2	**704.3**	(78.9)	(10.1)	(0.3)
Impairment	(220.0)	**(180.0)**	40.0	18.2	9.3
Net revenue	563.2	**524.3**	(38.9)	(6.9)	3.2
Finance costs	(45.1)	**(38.8)**	6.3	14.0	4.9
Agents' commission	(90.8)	**(84.6)**	6.2	6.8	(3.4)
Other costs	(287.1)	**(266.0)**	21.1	7.3	(1.4)
Profit before taxation and exceptional items	140.2	**134.9**	(5.3)	(3.8)	

Poland and Lithuania

David Parkinson
Country Manager

"Poland and Lithuania delivered a solid profit performance in 2015."

The business reported underlying profit growth of £5.0 million (7%) offset by £8.5 million of adverse FX movements. Reported profit before tax was £69.0 million.

Increasing competition from digital and payday lenders continued to dominate the trading environment in Poland and, consequently, this limited customer growth opportunities for our Polish business. As a result, customer numbers in Poland-Lithuania contracted by 2% year-on-year to 832,000.

Our new product offerings including longer terms and a monthly repaid product to quality customers supported a 5% increase in credit issued. Revenue reduced by 4% reflecting contracting yields driven by a tightening of the interest rate cap in Poland and the impact of more customers taking longer-term loans and preferentially-priced loans.

Our collections performance improved year-on-year and together with £9.3 million profit (2014: £5.5 million) on the sale of Polish non-performing receivables this resulted in a 4.4 ppt improvement in impairment as a percentage of revenue to 22.9%. As highlighted in our Q3 2015 trading update, now that Polish debt sales are established on a flow basis and our old written-off books have been sold, we expect to generate around £5 million less profit from debt sales in 2016. We continued to control costs tightly, with the increase being held at 0.4 ppts but the contraction in revenue resulted in a 1.9 ppt increase in the cost-income ratio to 34.2%.

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	848	**832**	(16)	(1.9)	(1.9)
Credit issued	372.6	**353.5**	(19.1)	(5.1)	5.2
Average net receivables	299.4	**287.5**	(11.9)	(4.0)	6.5
Revenue	308.8	**267.4**	(41.4)	(13.4)	(4.0)
Impairment	(84.2)	**(61.3)**	22.9	27.2	19.2
Net revenue	224.6	**206.1**	(18.5)	(8.2)	1.8
Finance costs	(18.7)	**(15.8)**	2.9	15.5	6.5
Agents' commission	(33.8)	**(29.8)**	4.0	11.8	2.3
Other costs	(99.6)	**(91.5)**	8.1	8.1	(0.4)
Profit before taxation	72.5	**69.0**	(3.5)	(4.8)	

A new bank tax in Poland was enacted in January 2016 and its scope includes our Polish home credit operation. The law will come into effect from February 2016 and is expected to result in an annual payment of approximately £2.4 million which, as an asset levy, will be charged against profit before tax in accordance with accounting standards.

As outlined in the Chief Executive Officer's review on page 16, new non-interest cost of credit legislation in Poland will become law on 11 March 2016. We estimate that applying the new pricing regime to our loan portfolio written in the year to 30 June 2015 (but without other mitigating actions being taken) would have reduced the profit of our Polish business by approximately £30 million. We have finalised our new product structure and, at this stage, we expect our mitigating strategies could offset up to half the negative financial impact. The final impact on profitability, however, will be determined by customer behaviour, the response of competitors and wider market dynamics, none of which may be determined with any certainty at this stage and so there can be no assurance that the final impact will be in this range. We anticipate that the impact on profitability will affect the results of the Polish business progressively during 2016 and 2017 but the business will remain of high quality and deliver return on equity above the average for the Group.

The court process for our appeal against the December 2013 findings of UOKiK, the Polish Office of Consumer Protection and Competition, commenced in November 2015 and we will update the market on its progress in due course.

OUTLOOK

Our new product structure will be implemented from 11 March 2016 when the new non-interest cost of credit legislation becomes effective. We will also continue our pilot of a Provident-branded digital offering leveraging the strength of our home credit brand. As part of our evolved strategy, we have commenced a process to reduce structural costs, facilitated by our new sales and service operational structure. In Lithuania, our focus will be on ensuring we are fully compliant with the latest regulation on debt-to-income for consumer lending in addition to optimising the flow of referral business between our IPF Digital and home credit operations.

Czech Republic and Slovakia

Petr Sastinsky
Country Manager

"Our business in the Czech Republic and Slovakia faced another extremely challenging year in 2015 and competition from digital and copycat lenders intensified during the period."

In December, we stopped issuing new loans in Slovakia and we have since decided to run off our agent-delivered home credit operation following the introduction of new rate cap legislation in that market. The business reported a profit before exceptional items of £19.2 million (the Czech Republic £14.7 million; Slovakia £4.5 million) which reflects a £2.2 million reduction in underlying profit and a £2.9 million impact from weaker FX rates.

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	360	**317**	(43)	(11.9)	(11.9)
Credit issued	195.8	**150.4**	(45.4)	(23.2)	(15.2)
Average net receivables	158.8	**130.5**	(28.3)	(17.8)	(9.3)
Revenue	136.9	**106.5**	(30.4)	(22.2)	(14.1)
Impairment	(42.0)	**(27.7)**	14.3	34.0	27.1
Net revenue	94.9	**78.8**	(16.1)	(17.0)	(8.4)
Finance costs	(8.1)	**(6.4)**	1.7	21.0	12.3
Agents' commission	(13.8)	**(10.7)**	3.1	22.5	13.7
Other costs	(48.7)	**(42.5)**	6.2	12.7	5.3
Profit before taxation and exceptional items	24.3	**19.2**	(5.1)	(21.0)	

The competitive nature of these markets resulted in a 12% contraction in customer numbers and 15% reduction in credit issued. This was exacerbated by the impact of our decision to suspend lending in Slovakia in the run up to Christmas. Average net receivables declined by 9% due to the lower levels of credit issued which resulted in a reduction in revenue of 14%.

Credit quality was stable which, together with sales of non-performing receivables, resulted in a 4.7 ppt improvement in impairment as a percentage of revenue to 26.0%. Other costs were managed tightly and reduced by 5% year-on-year; however, this was less than the contraction in revenue and resulted in the cost-income ratio increasing by 4.3 ppts to 39.9%.

OUTLOOK

In the Czech Republic, we expect to improve customer retention in 2016 by driving higher sales of our monthly product and developing our Money Transfer offer. We will also implement our new sales and service organisational structure to drive lower cost and greater efficiency. Our key focus in Slovakia is to collect out the receivables book efficiently. We have redesigned the incentive schemes for our employees and agents and will operate a dynamic collections plan in order to maximise recoveries from the loan portfolio. We expect the Slovak operation to report a loss of around £5 million to £7 million in 2016, which relates to the cost of collecting out our portfolio and closing the business. This will not recur in 2017 and beyond. As previously noted, we are continuing to review alternative business models in Slovakia.

Southern Europe

Botond Szirmak
Country Manager

"Growth in our Southern Europe businesses accelerated in the second half of the year."

This, together with a good collections performance, helped to deliver underlying profit growth of £1.6 million offset by a £3.9 million adverse FX impact. Reported profit was £26.6 million.

This performance was driven by a strong return to growth in Romania based on improved credit quality and broader product offerings. Our new business in Bulgaria also delivered good growth as we increased loan sizes and attracted more new customers. In Hungary, the introduction of payment-to-income legislation at the start of 2015 resulted in a contraction in credit issued in the first half of the year as we retrained our teams and changed our processes to operate under the new law.

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	646	**679**	33	5.1	5.1
Credit issued	245.7	**227.8**	(17.9)	(7.3)	3.3
Average net receivables	176.9	**163.4**	(13.5)	(7.6)	2.8
Revenue	177.2	**155.1**	(22.1)	(12.5)	(2.6)
Impairment	(44.2)	**(35.0)**	9.2	20.8	12.1
Net revenue	133.0	**120.1**	(12.9)	(9.7)	0.5
Finance costs	(11.1)	**(9.5)**	1.6	14.4	5.0
Agents' commission	(21.9)	**(20.6)**	1.3	5.9	(4.6)
Other costs	(71.1)	**(63.4)**	7.7	10.8	2.2
Profit before taxation	28.9	**26.6**	(2.3)	(8.0)	

This transition is now complete and together with the launch of our monthly product and introduction of our new sales and service organisational structure, Hungary returned to growth in the second half of the year.

These factors delivered a 5% increase in customer numbers to 679,000 and credit issued growth of 3%, a significant and important turnaround from the 8% reduction noted at the half year. Average net receivables grew by 3% while revenue decreased by 3% as a result of a shift in the mix of the portfolio towards longer-term loans and preferentially-priced loans.

Credit quality remains good and, together with a robust collections performance and the benefit of ongoing debt sales, impairment as a percentage of revenue improved by 2.3 ppts to 22.6%. Costs were controlled tightly and were 2% lower than 2014.

To comply with new legislation, our agents in Romania were made employees and this change is expected to result in an annual cost increase of £3 million, and around half of this increase was incurred in 2015. Our experience in Hungary, where agents have been employed since 2006, indicates there are opportunities to mitigate a proportion of these additional costs.

OUTLOOK

Romania and Bulgaria are two of our growth markets and we will focus on continuing to deliver strong customer growth. In Hungary, one of our established businesses, we will work to achieve greater efficiencies through tight cost management, sales and service organisational design benefits and the progressive rollout of agent handheld technology.

Mexico


Robert Husband
Country Manager

"We delivered another excellent performance and Mexico was a key driver of credit and profit growth in 2015."

At the end of 2012 we set out a strategy to demonstrate that we could deliver very attractive returns from our home credit business in Mexico. Our strategy to deliver these returns focused on increasing revenue per customer while maintaining acceptable credit losses and reducing the cost-income ratio. We also set a profit per customer target of MXN$660 and sought a customer base of 900,000. During the last three years we have delivered a 25% increase in customer numbers to 851,000, grown credit issued by 76% and increased profit per customer by 135% to MX$665. This has resulted in an increase in profit of 184% to a record £21.9 million in 2015 in constant currency terms.

	2014 £M	**2015 £M**	Change £M	Change %	Change at CER %
Customer numbers (000s)	786	**851**	65	8.3	8.3
Credit issued	207.8	**224.6**	16.8	8.1	19.8
Average net receivables	125.4	**139.4**	14.0	11.2	23.0
Revenue	160.3	**175.3**	15.0	9.4	21.1
Impairment	(49.6)	**(56.0)**	(6.4)	(12.9)	(25.0)
Net revenue	110.7	**119.3**	8.6	7.8	19.4
Finance costs	(7.2)	**(7.1)**	0.1	1.4	(7.6)
Agents' commission	(21.3)	**(23.5)**	(2.2)	(10.3)	(22.4)
Other costs	(65.7)	**(66.8)**	(1.1)	(1.7)	(11.7)
Profit before taxation	16.5	**21.9**	5.4	32.7	

For the year as a whole, Mexico delivered another excellent performance and was a key driver of credit issued and profit growth for the Group in 2015. We delivered strong underlying profit growth of £7.6 million before absorbing £2.2 million as a result of weaker FX rates.

Our focus on growth through selective credit relaxations and geographic expansion helped deliver a 20% increase in credit issued which, in turn, drove a strong increase in revenue of 21%. While our customer count is lower than our target of 900,000, we increased customer numbers by 8% to 851,000.

Impairment as a percentage of revenue was broadly stable at 31.9% and we are comfortable with impairment at this level given the mix of new and repeat lending in this strongly growing market. We continued to invest in geographical expansion by opening two additional branches during 2015 whilst maintaining good cost control. As a result, we delivered a 2.9 ppt year-on-year improvement in the cost-income ratio which at 38.1% is below the 40% level for the first time.

OUTLOOK

We continue to see significant growth potential in Mexico. Having demonstrated that the business model can deliver good returns, we now intend to build on the solid foundations and deliver further strong top-line growth in 2016 and beyond. This will be achieved through an accelerated geographic expansion plan which will see a dedicated team of experienced managers opening approximately 10 new branches in 2016. In addition, we plan to broaden our product offer to include micro business loans and increase acquisition channels through strategic alliances.

Digital

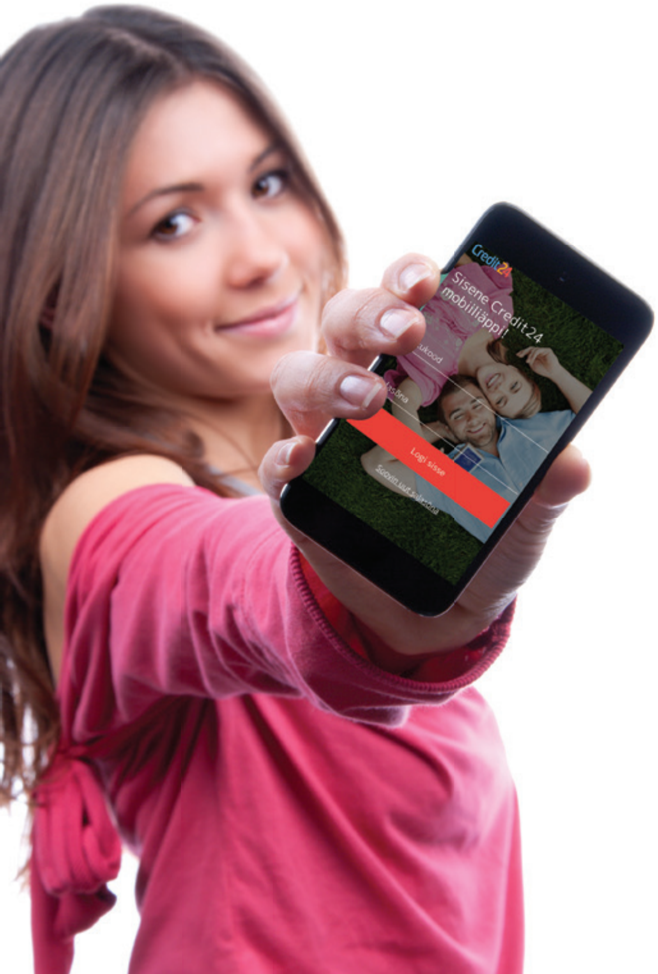
Rami Ryhanen
General Manager

"Growing our digital offering is one of our major strategic opportunities and we made excellent progress in 2015."

We acquired MCB Finance in February 2015 and integrated the business into the Group in the first half of the year to create IPF Digital. We also made significant progress with our expansion plans and completed the first 12 months of trading of our hapiloans brand in Poland, extended our pilot operation in Australia and delivered our first loans to customers in Spain at the end of 2015.

The performance data detailed in the table below comprises MCB Finance since the acquisition and the full year result for hapiloans.

	2014 £M	**2015 £M**
Customer numbers (000s)	–	**134**
Credit issued	0.1	**86.7**
Average net receivables	0.1	**43.2**
Revenue	–	**31.1**
Impairment	–	**(8.9)**
Net revenue	–	**22.2**
Finance costs	–	**(3.1)**
Collecting commission	–	**–**
Other costs	(1.5)	**(23.3)**
Loss before taxation and exceptional items	(1.5)	**(4.2)**



On a proforma basis, the business delivered good customer growth of 46% to 134,000 and increased credit issued by 34% to £86.7 million. The growth in credit issued resulted in proforma growth in revenue of 28% to £31.1 million. Impairment as a percentage of revenue was 28.6% with credit quality stable despite the strong growth in credit issued.

IPF Digital comprises digital lending operations in seven markets, all at various stages of development. The profitability of these businesses is best segmented as follows:

	2014 £M	2015 £M
Established markets – Finland and the Baltics	–	**8.1**
New markets – Poland, Australia and Spain	(1.5)	**(6.1)**
Head office costs	–	**(6.2)**
IPF Digital	(1.5)	**(4.2)**

Established markets

Our established operations in Finland and the Baltics have been trading for eight years and currently account for over 90% of the division's customers, credit issued, receivables and revenue. At the end of 2015 we had 122,000 customers in these markets representing a penetration rate of 1% against the total population of around 12 million.

	2015 £M
Customer numbers (000s)	**122**
Credit issued	**78.7**
Average net receivables	**40.4**
Revenue	**28.7**
Impairment	**(6.9)**
Net revenue	**21.8**
Finance costs	**(2.6)**
Other costs	**(11.1)**
Profit before taxation and exceptional items	**8.1**

Proforma customer growth and credit issued growth in these markets was 35% and 29% in 2015. Impairment as a percentage of revenue was slightly below our target range at 24.0%. Contribution per average customer was around £80 in 2015 and the businesses delivered a return on equity (before head office costs) of around 35%. The 2015 P&L and structure in these markets is illustrative of the margins we would expect when new markets to deliver when they become established.

New markets

Our current new markets have a combined population of over 100 million and, therefore, represent a significant growth opportunity for IPF Digital.

In 2015, we invested £6 million in losses in these markets. A typical new market is expected to require investment in losses for around 3 years before it moves up through its J-curve into monthly profitability, albeit this timing can be influenced by the regulatory environment and scale of the opportunity. The cumulative losses up to this breakeven point will vary from market to market but we expect them to be around £8 million to £10 million per country.

Head office

We increased the scale of our IPF Digital head office operation in 2015 to ensure we have the right resource in place to execute our expansion plan in a well-controlled and effective manner.

OUTLOOK

Looking ahead, we continue to see growth opportunities for our established markets and expect to deliver good rates of customer and credit issued growth through the rollout of our revolving credit line product across all markets together with the optimisation of pricing and credit dynamics. We will continue to grow our new digital businesses in Poland, Australia and Spain, and we are actively considering commencing a digital business in Mexico. We will underpin our planned step-change in scale and increase in growth by continuing to invest in our technology platform, head office functional capabilities including credit decisioning, marketing and customer contact centres, and enhancing the control environment. We expect to increase total investment in IPF Digital to around £7 million to £9 million in 2016.

"Set against a challenging competitive and regulatory landscape, we delivered strong underlying growth in profit."

Adrian Gardner
Chief Financial Officer

A resilient financial performance

Financial highlights

Set against a challenging competitive and regulatory landscape, we delivered strong underlying growth in profit before exceptional items of £12.6 million. This was offset by £2.8 million of incremental investment costs in IPF Digital and £17.2 million from weaker FX rates.

We strengthened our funding position during the year with the issuance of over £100 million of bond funding that matures in 2020 and 2021, of which the main tranche was priced at 5.75%. We previously announced our decision to reduce our equity to receivables ratio target by 5 percentage points to 40% and this strengthened funding position allowed us to complete a £50 million share buyback programme in the second half of the year.

Pre-exceptional earnings per share was 0.9 pence per share lower than last year at 37.1 pence per share due to the lower reported profit, partially offset by the reduction in shares arising from the share buyback programme. We are proposing to hold the final dividend at 7.8 pence per share, which would result in a full year dividend of 12.4 pence per share.

Key financial measures

	2014	**2015**
Returns		
Profit before tax (£M)[1]	123.5	**116.1**
Statutory profit before tax (£M)	100.2	**100.2**
Cash generated from operations (£M)	121.7	**100.3**
Adjusted earnings per share (pence)[2]	38.0	**37.1**
Statutory earnings per share (pence)	30.2	**27.3**
Dividends (pence)	12.0	**12.4**
Return on equity[2]	23.6%	**23.3%**
Balance sheet and funding		
Debt facilities (£M)	650.0	**689.9**
Headroom on debt funding (£M)	171.7	**133.0**
Interest cover[2]	3.7	**3.9**
Gearing	1.3	**1.7**
Equity as a percentage of receivables	47.5%	**40.8%**

1 Before an exceptional loss of £15.9 million in 2015 and a loss of £23.3 million in 2014.

2 Presented before exceptional items in order to demonstrate the underlying performance of the Group.

2015 results

We delivered a robust trading performance in 2015 with 10% growth (£12.6 million) in underlying profit offset by £2.8 million incremental investment in IPF Digital and £17.2 million arising from weaker FX rates. The effective FX rates in our markets were weaker for the second year running with the most significant impact in Poland which reflects both the weakness in the Polish zloty and the contribution that the market makes to Group profit. The total adverse FX impact of weaker FX rates in the last two years was £26.1 million, which equates to 22% of 2015 reported profit.

The income statement includes an exceptional loss of £22.4 million which comprises a pre-tax exceptional loss £15.9 million and an exceptional tax charge of £6.5 million.

The exceptional loss includes £18.6 million in respect of the change in Slovak rate cap legislation in December 2015, following which a decision was made to wind down our home credit operations in Slovakia. It comprises a £11.2 million charge against profit before tax and the write-off of a deferred tax asset of £7.4 million that we no longer expect to be realised. The pre-tax loss comprises a provision taken against the carrying value of the receivables book based on our best estimate of the value and timing of collections of £10.3 million and £0.9 million from the write down of fixed assets.

We also reported an exceptional cost of £4.7 million in our half year results, which comprised £2.5 million in respect of MCB Finance integration costs (principally a write down of IT assets) and Spain home credit closure costs of £2.2 million (principally contractual obligations and IT write-offs). There is a corresponding tax credit of £0.9 million relating to these two items.

Taxation

The taxation charge for the year on statutory pre-tax profit was £37.7 million (2014: £28.4 million), which equates to an effective rate of 37.6% and includes the impact of the Slovakian deferred tax write-off. The underlying tax charge was £31.2 million which represents an effective tax rate of 26.9% (2014: 27.0%). The effective tax rate is expected to remain broadly at this level in 2016.

Cash generated from operations

Our business model is cash and capital generative and the strong trading performance generated operating cash flows of £100.3 million (2014: £121.7 million).

These operating cash flows funded a £58.5 million increase in net receivables (2014: £36.3 million) and left £100.3 million of internally generated funding to support capital investment, investor returns (including £50 million of share buybacks) and taxation.

Cash generated from operations	2014 £M	**2015 £M**
Cash generated from operations before receivables growth	158.0	**158.8**
Receivables growth	(36.3)	**(58.5)**
Cash generated from operations	121.7	**100.3**

Returns

Our Group result reflects a combination of our home credit businesses and IPF Digital. Our home credit businesses have opportunities for further growth in those markets where we can increase our customer reach but have a relatively mature margin structure and profile of returns. These businesses generated a pre-tax profit margin of 19.2% (2014: 19.5%) and return on equity of 27.9% (2014: 29.5%). As IPF Digital expands and the business matures, we expect its new markets to deliver similar returns to its more established businesses. The profit margin for the Group as a whole was 15.8% (2014: 15.8%) and our return on equity was 23.3% (2014: 23.6%).

	EPS[1] (p)	Profit margin (%)	ROE[2] (%)
Returns			
Home credit	43.2	19.2	27.9
Digital	(1.4)	–	–
Central costs	(4.7)	–	–
Group	**37.1**	**15.8**	**23.3**

1 Before an exceptional loss of £22.4 million.

2 For this purpose, equity has been calculated as 40.8% of receivables.

Dividend

The Board proposes, subject to shareholder approval, a final dividend of 7.8 pence per share. This will bring the full year dividend to 12.4 pence per share (2014: 12.0 pence per share), an increase of 3% for the year. The full year dividend of 12.4 pence per share represents a total payment equivalent to approximately 33% of pre-exceptional post-tax earnings for the full year 2015, which is slightly below our target pay-out ratio of 35%. The dividend will be paid on 13 May 2016 to shareholders on the register at the close of business on 8 April 2016. The shares will be marked ex-dividend on 7 April 2016.

Balance sheet and capital structure

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

- we are well capitalised with equity representing 40.8% of receivables;
- gearing has increased from 1.3 times to 1.7 times due to the £50 million share buyback and the acquisition of MCB Finance;
- we have a diversified debt funding structure, with a mix of bond and bank facilities and a balanced maturity profile; and
- we have good cover against all of our core funding covenants.

Acquisition of MCB Finance Group plc

The Group acquired MCB Finance on 6 February 2015 for a cash consideration of £23.2 million. The allocation of the consideration has been subject to a purchase price allocation exercise during the period. The excess of consideration over the net assets acquired has been allocated to goodwill. Goodwill represents MCB Finance's digitally knowledgeable and experienced management team who can help accelerate the development of the Group's digital lending business across new geographies. Additionally, we expect the launch of our digital channel will open up new markets which are not economically viable for a home credit operation or where an agent-led offer is not compelling to potential customers. The business combination also provides attractive growth opportunities as MCB Finance will also benefit from the Group's investment support and access to cheaper funding to enable the business to grow at a faster rate with lower funding costs.

The net assets acquired and goodwill (presented at the exchange rate at the acquisition date) are as follows:

	Net book value £M	Fair value adjustments £M	Fair value £M
Intangible assets	1.9	4.1	6.0
Amounts receivable from customers	33.0	(0.6)	32.4
Borrowings	(32.0)	–	(32.0)
Trade and other payables	(3.8)	–	(3.8)
Other net assets	1.2	(1.0)	0.2
	0.3	2.5	2.8
Goodwill			20.4
Total consideration			23.2
Cash consideration			23.2
Cash acquired			(2.2)
Net cash outflow in respect of acquisition			21.0

Receivables and prudent provisioning

Closing receivables in 2015 were £802.4 million, which is £58.5 million (7%) higher than 2014 in constant currency terms and reflects the acquisition of MCB Finance and the growth in the business. The average period of receivables outstanding was 6.3 months (2014: 5.6 months) with 89.6% of year end receivables due within one year (2014: 94.9%).

We operate a prudent, objective and centrally controlled impairment provisioning system in both our home credit and digital business that has the following key attributes:

	Home credit	Digital
Assessment period	Weekly	Monthly
Impairment trigger	Missed payment or part of a missed payment even if the agent fails to visit the customer.	Default point when the debt is passed to a third-party collection agency. This averages 40 days past due across IPF Digital. An incurred but not reported provision is held for receivables pre-default. This is calculated based on probability of default factors.
Segmentation of receivables	Any missed payment or portion of payment, even if the agent fails to visit a customer, with the exception of the first four weeks for a new customer to allow repayment patterns to be established.	Debt is segmented based on the number of days past due and provision is based on expected loss of each segment.
Provisioning	Provision percentages for each arrears stage have been derived using statistical modelling of past customer performance that estimates the amount and timing of cash flows.	The provision percentage is based on loss given default factors. This calculation is updated monthly.

Debt funding and capital structure

Our funding strategy is to raise long-term debt at lower cost from diversified sources and we have a key objective of making the balance sheet work harder. We are making good progress on both fronts.

We have issued over £100 million equivalent of bonds maturing in 2020 and 2021. In April 2015, we issued €100 million (£74 million) of bonds under our Euro Medium Term Note programme, as a tap transaction to increase the existing €300 million 5.75% 2021 Eurobond to €400 million – the new bonds have the same coupon and maturity. In June 2015, we issued PLN 200 million (£35 million equivalent) of bonds due in 2020 under the Polish Medium Term Note programme.

With our 2014 results, we announced a target capital ratio of 40%. With our interim results in July 2015, we announced a buyback to reset the ratio over time. At December 2015, we had bought back around £50 million of shares, and the capital ratio was 40.8%.

Maturity profile of debt facilities and headroom

	Less than one year £M	One to five years £M	Over five years £M	Total £M
Short-term bank facilities	20.2	–	–	20.2
Syndicated and bilateral term bank facilities	12.8	151.5	–	164.3
Bonds	12.6	197.9	294.9	505.4
				689.9
Borrowings				(556.9)
Headroom				133.0

Covenant compliance

		2014	**2015**
Gearing*	Max 3.75	1.3	**1.7**
Interest cover	Min 2 times	3.7	**3.9**
Net worth*	Min £250 million	359.0	**318.7**
Receivables: borrowings	Min 1.1:1	1.6	**1.4**

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

Foreign exchange

The majority of the Group's net assets are denominated in our operating currencies and, therefore, their sterling value fluctuates with changes in FX rates. In accordance with accounting standards, we have restated the opening foreign currency net assets at the year end exchange rate and this resulted in a £23.9 million foreign exchange movement, which has been charged to the foreign exchange reserve.

Treasury risk management

Our Board-approved policies address the key treasury risks that our business faces – funding and liquidity risk, financial market risk (currency and interest rate risk), and counterparty risk; and they are designed to provide robust risk management, even in more volatile financial markets and economic conditions within our planning horizon.

Our funding policy requires us to maintain prudent headroom on committed debt facilities for the future development of the business, and that those debt facilities should be from diversified sources, predominantly longer term with a balanced maturity profile, at competitive cost with appropriate terms and conditions. Our currency policy addresses economic currency exposures and requires us to fund our currency receivables with currency borrowings (directly or indirectly) to achieve a high level of balance sheet hedging; however, we do not hedge accounting profits and losses. Our interest rate policy requires us to hedge interest rate risk in each currency to a relatively high level. Our counterparty policy requires exposures to financial counterparties to be limited to single-A rated entities, except as expressly approved by the Board. In addition to these policies, our operational procedures and controls ensure that funds are available throughout the Group to serve our customers.

Going concern

The Board has reviewed the budget for the year to 31 December 2016 and the forecasts for the two years to 31 December 2018, which include projected profits, cash flows, borrowings and headroom against facilities.

The Group's committed funding through a combination of bonds and committed bank facilities, combined with a successful track record of accessing debt funding markets, is sufficient to fund the planned growth of our existing operations and new markets for the foreseeable future. Taking these factors into account, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the Board has adopted the going concern basis in preparing these Financial Statements.

Adrian Gardner
Chief Financial Officer

The directors have undertaken a robust, systematic assessment of the Group's principal risks including those that threaten its business model, future performance, solvency or liquidity. These have been considered within the time frame of three years which aligns with our viability statement on page 41. Effective management of risks, uncertainties and opportunities is critical to our business in order to deliver long-term shareholder value and protect our people, assets and reputation. In 2015, we continued to face a challenging external environment, particularly from changing regulation and competition. Internally, our operational governance framework and risk management processes are continually improved to ensure the business operates within Board-approved levels of risk appetite. The effectiveness of operating these processes is monitored by the Audit and Risk Committee on behalf of the Board.

The risks facing the business by risk category are:

Risk category	Definition	Risks	Description
MARKET CONDITIONS	The risk that we cannot identify, respond to, comply with or take advantage of external market conditions.	• Regulatory*	• Changes to and compliance with laws and regulations
		• Competition and product proposition*	• Adapting to competitive environment
		• Funding*	• Funding availability to meet business needs
		• Interest rate* • Currency*	• Market volatility impacting performance and asset values
		• Counterparty*	• Loss of banking partner
		• Taxation*	• Changes to, or interpretation of, tax legislation
		• World economic environment*	• Adapting to economic conditions
STAKEHOLDER	The risk that key stakeholders take a negative view of the business as a direct result of our actions or our inability to effectively manage their perception of the Group.	• Reputation*	• Reputational damage
		• Customer service	• Maintenance of customer service standards
OPERATIONAL	The risk of unacceptable losses as a result of inadequacies or failures in our internal core processes, systems or people behaviours.	• Credit*	• Customers fail to repay
		• Safety*	• Harm to our agents/ employees
		• People*	• Quantity/calibre of people
		• Service disruption and information security*	• Recoverability and security of systems and processes
		• Financial and performance reporting	• Failure of financial reporting systems
		• Technology	• Maintenance of effective technology
		• Fraud	• Theft or fraud loss
BUSINESS DEVELOPMENT	The risk that our earnings are impacted adversely by a sub-optimal business strategy or the sub-optimal implementation of that strategy, both due to internal or external factors.	• New market and acquisition	• Growth of our footprint and operations
		• Change management*	• Delivery of strategic initiatives
		• Brand	• Strength of our customer brands

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

As at the year end, the Board considered that there are 14 key risks which require ongoing focus (noted with asterisks in the table above). Nine of these are considered to be the principal risks and uncertainties facing the Group.

Risk	Relevance to strategy	Mitigation	Commentary
REGULATORY	1 2 3 4		▼
We suffer losses or fail to optimise profitable growth due to a failure to operate in compliance with, or effectively anticipate changes in, all applicable laws and regulations, or a regulator interpreting these in a different way. **Objective** We aim to ensure that effective arrangements are in place to enable us to comply with legal and regulatory obligations and take assessed and fully informed commercial risks.	Changes in regulation, differences in interpretation or clarification/enforcement of laws not previously enforced by courts and other bodies can lead to challenge of our products/practices. We must keep up to speed with legal and regulatory developments to ensure we maintain compliance, can remain competitive and provide value for our customers. **Likelihood** The frequency of legal and regulatory change and the likelihood of challenge vary by market. In 2015, notable changes occurred in Poland, Slovakia and Romania.	We have highly skilled and experienced legal and public affairs teams at Group level and in each of our markets. Expert third party advisors are used where necessary. Strong relationships are maintained with regulators and other stakeholders. Co-ordinated legal and public affairs teams, at a Group level and in each market, monitor political, legislative and regulatory developments.	**Lead responsibility: Chief Executive Officer** See Chief Executive Officer's review and Operational review for details of key regulatory changes in Poland and Slovakia. A number of legislative and regulatory changes continue to be proposed and debated, particularly in Europe. As stated elsewhere in this report, these have had a significant impact on our businesses in Poland and Slovakia. The business is adapting, where possible, to changes announced in 2015 but the scale of the risk remains substantial and we must continue to be vigilant and flexible in our response. Further enhancements to our approach to governing this risk are planned in early 2016 including increased level of monitoring of regulatory matters, strengthened anticipation and engagement capabilities in-market and renewed association and sector reputation strategy. To comply with new legislation, our agents in Romania were made employees.

KEY

1	Expanding our footprint
2	Improving customer engagement
3	Developing a sales culture
4	Effective execution

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

Risk	Relevance to strategy	Mitigation	Commentary
COMPETITION AND PRODUCT PROPOSITION We suffer losses or fail to optimise profitable growth through not responding to the competitive environment or failing to ensure our proposition meets customer needs. **Objective** We aim to ensure we understand competitive threats and deliver customer focused products to drive growth.	1 2 3 4 In an environment of increasing competition and broadening customer choice, ensuring our product meets customers' needs is critical to delivering growth. **Likelihood** Competition varies by market. In 2015, the impact of competitive activity, both from home credit and digital lenders, was particularly notable in Poland, Lithuania, Czech Republic and Slovakia.	Regular monitoring of competitors and their offerings in our markets. Competitor advertising and share of voice monitored. Regular surveys of customer views on our product offerings. Product development committees established across the Group to manage product change and introduce new products.	◀▶ **Lead responsibility: Chief Executive Officer** Competition continues to increase. The growth of IPF Digital continues to diversify our portfolio. We have launched a significant number of new product offerings in 2015 within the home credit markets, allowing customers more choice.
REPUTATION We suffer financial or reputational damage due to our methods of operation, ill-informed comment or malpractice. **Objective** We aim to promote a positive reputation that will enable the Group to achieve its strategic aims.	1 2 3 Our reputation can have an impact on both customer sentiment and the engagement of key stakeholders, impacting our ability to grow. **Likelihood** We maintain strong relationships with stakeholders across the Group in order to minimise the likelihood of an event leading to unanticipated reputational impact.	Group Reputation and Regulation Committee. Clearly defined corporate values and ethical standards which are communicated throughout the organisation. Regular monitoring of reputation indicators.	◀▶ **Lead responsibility: Chief Executive Officer** Our businesses continue to achieve awards for ethical and effective operations. In light of the regulatory challenges and impending legislative changes being faced, we continue to communicate our position to investors and other key stakeholders.

KEY

1	Expanding our footprint
2	Improving customer engagement
3	Developing a sales culture
4	Effective execution

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

Risk	Relevance to strategy	Mitigation	Commentary
SAFETY The risk of personal accident to, or assault of, our agents or employees. **Objective** We aim to maintain adequate arrangements that reduce the risks to be as low as is reasonably practicable.	3 4 A significant element of our business model involves our agents and employees interacting with our customers in their homes or travelling to numerous locations daily. Their safety is paramount to us. **Likelihood** The likelihood of an individual incident depends on many factors including the local environment. We strive to ensure that our agents and employees can carry out their work without risk of harm.	Group and market committees and annual safety survey. Bi-annual risk mapping for each agency including mitigation planning and field safety training. Annual self-certification of safety compliance by managers. Quarterly branch safety meetings. Role-specific training and competence matrix. Safety management systems based on internationally recognised standards.	**Lead responsibility: Chief Executive Officer** We continued to make progress in our safety management systems throughout 2015 and now hold OHSAS certification in all established home credit businesses. Safety continues to be a significant area of focus for the Group.
PEOPLE Our strategy is impacted by not having sufficient depth and quality of people or being unable to retain key people and treat them in accordance with our values and ethical standards. **Objective** We aim to have sufficient depth of personnel to ensure we can meet our growth objectives.	1 3 4 Our Strategy for Growth includes plans to expand our footprint both in existing and new markets. In order to achieve this growth, we must continue to attract, retain and reward the right people. **Likelihood** Although our transformation and growth plans are significant, there is a strong history of talent moving between markets that reduces the likelihood of key vacancies. The likelihood of turnover temporarily impacting field performance may increase as the transformation programme affects field structures.	People and Organisational Planning process operating throughout the Group. Group-wide personal development review process and continuous development through tools such as 360 degree feedback and targeted leadership programmes. Periodic employee and agent engagement surveys and improvement plans. Group standard employee competency framework aligned to Strategy for Growth.	**Lead responsibility: Chief Executive Officer** Our people strategy focuses on creating a culture of high engagement, identifying and nurturing talent and empowering people. We are making significant changes to field organisational structures and this commenced in some markets in 2015 with remaining markets planned to start in 2016. We aim to limit the short-term impact on field staff and agent stability and believe the medium-term impact of the transformation will increase the skills, engagement and stability of our people. In 2015, to comply with new legislation, our agents in Romania were made employees.

Risk	Relevance to strategy	Mitigation	Commentary
SERVICE DISRUPTION AND INFORMATION SECURITY We suffer losses or fail to optimise profitable growth due to a failure of our systems, suppliers or processes, or due to the loss or theft of sensitive information. **Objective** We aim to maintain adequate arrangements and controls that reduce the threat of service disruption and the risk of data loss to as low as is reasonably practicable.	2 3 4 Globally, we have 2.8 million customers and we record, update and maintain data for each of them on a regular basis (often weekly). The availability of this data, and the continued operation of our systems and processes, is essential to the effective operation of our business and the security of our customer information. **Likelihood** While the external threat to our systems is increasing in the digital age, the tools in place reduce the likelihood of a significant failure or information loss.	Core head office-based systems operate in a virtualised environment and are supported by service level agreements. Agreed and tested business continuity plan for all branches and head office functions. Strategic Business Impact Assessment performed. Intrusion detection and monitoring systems in place. Group and market level governance committees that oversee our service disruption and information security arrangements.	▲ **Lead responsibility: Chief Executive Officer** We continue to enhance our systems and processes to ensure customer and business data is as secure as practicable and that any disruption to the business is minimised. Information security capability was further enhanced in 2015, including implementation of technical solutions to prevent and detect weaknesses. A disaster recovery assessment and testing programme has also been undertaken in the year. Further enhancements to our protection are planned for 2016.
TAXATION We suffer additional taxation or financial penalties associated with failure to comply with tax legislation or adopting an interpretation of the law that cannot be sustained. **Objective** We aim to generate shareholder value through effective management of tax while acting as a good corporate citizen.	1 4 In a backdrop of increasing fiscal challenges for most economies, many authorities are turning to corporate taxpayers to increase revenues, either via taxation reforms or through changes to interpretations of existing legislation. **Likelihood** The likelihood of changes in or challenges arising from tax legislation varies by market. Globally, OECD and EU led developments may lead to an increase in transfer pricing audits. We successfully concluded audits in Mexico and Hungary in 2015, although this does not prevent further challenge by the same authorities related to other fiscal periods.	Binding rulings or clearances obtained from authorities where appropriate. External advisors used for all material tax transactions. Qualified and experienced tax teams at Group level and in market.	◀▶ **Lead responsibility: Chief Financial Officer** We continue to ensure our interpretation of taxation legislation is defendable through maintaining a strong governance framework, ensuring each mature market and the Group employs tax professionals, and taking external advice where relevant. Tax audits are currently being undertaken in Poland covering two fiscal periods. See page 108 for further information.

KEY

1	Expanding our footprint
2	Improving customer engagement
3	Developing a sales culture
4	Effective execution

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

Risk	Relevance to strategy	Mitigation	Commentary
CHANGE MANAGEMENT We suffer losses or fail to optimise profitable growth due to a failure to manage change in an effective manner. **Objective** We aim to effectively manage the design, delivery and benefits realisation of major global change initiatives and deliver according to requirements, budgets and timescales.	2 3 4 Our global change programme, Transformation for Growth ("T4G"), is key to delivering our Strategy for Growth for the home credit business. Effective management of the initiatives within this programme is essential. **Likelihood** T4G is a complex programme covering numerous markets. Recent changes to the delivery structure have been designed to minimise the likelihood of programme-wide issues.	Executive Director and Country Manager level prioritisation of key initiatives. Standard project management methodology principles defined. Governance structure in place to oversee ongoing change at Group and market levels.	▼ **Lead responsibility: Chief Executive Officer** T4G has successfully delivered in many areas throughout 2015. However, challenges have been faced leading to some delivery delays. Following external advice, we have restructured the programme and expect further successful delivery in 2016 and beyond. See our Transformation for Growth Committee report on page 58.
WORLD ECONOMIC ENVIRONMENT We suffer financial loss as a result of a failure to identify and adapt to changing economic conditions adequately. **Objective** We aim to have business processes that allow us to respond to changes in economic conditions and optimise business performance.	1 4 Changes in economic conditions have a direct impact on our customers' ability to make repayments. **Likelihood** While we operate in numerous markets, the likelihood of a change in economic markets that we are unable to respond to and that impacts our strategy is minimised by our short-term lending model.	Treasury and credit committees review economic indicators. Daily monitoring of economic, political and national news briefings. Strong, personal customer relationships inform us of individual customer circumstances.	◀ ▶ **Lead responsibility: Chief Financial Officer** There were stable macroeconomic conditions in our markets in 2015. GDP forecasts for 2016 are for a continuation of recent growth.

Viability statement

The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for three years from the date of this report. This assessment has been made with reference to the Group's current financial position, its prospects, its strategy and its principal risks, as set out in the Strategic Report.

The Group undertakes an annual business planning and budgeting process that includes an update to strategic plans together with an assessment of expected performance, cash flows, funding requirements and covenant compliance. The plan is stress tested in a variety of downside scenarios that reflect the crystallisation of the Group's principal risks and the consequent impact on future performance, funding requirements and covenant compliance.

The Directors have determined that three years is an appropriate period over which to provide its viability statement. In making this statement, the Directors have assumed that both the wholesale funding markets remain accessible so as to allow the Group's existing arrangements to be refinanced, and that the legal and regulatory framework allows for the provision of short-term credit to the markets in which the Group operates.

Gerard Ryan
Chief Executive Officer

1. DAN O'CONNOR

Chairman, age 56 N

Dan joined the Board on 2 January 2015.

Appointments and qualifications: Dan was previously a non-executive director of CRH plc and Chairman of Allied Irish Banks plc from July 2009 to October 2010. In addition, Dan spent 10 years as CEO of GE Consumer Finance Europe and was Senior Vice President of General Electric. He was also a non-executive director of one of Turkey's largest banks, Garanti Bank. Dan is a fellow of the Institute of Chartered Accountants in Ireland and has a Master's Degree in Accounting. He is a non-executive director of Glanbia plc, Argentum Property HoldCo Limited and Activate Capital Ltd.

Key strengths and contributions: Dan has over 30 years' experience in large international and financial services businesses and has brought strong strategic leadership in his role as Chairman.

2. GERARD RYAN

Chief Executive Officer, age 51 D E N

Gerard joined the Board on 17 January 2012.

Appointments and qualifications: Gerard was previously CEO for Citigroup's consumer finance businesses in the Western Europe, Middle East and Africa region. He was a director of Citi International plc, Egg plc and Morgan Stanley Smith Barney UK. Earlier in his career, Gerard was CFO of Garanti Bank, Turkey and CEO of GE Money Bank, Prague. He is a Fellow of the Institute of Chartered Accountants in Ireland.

Key strengths and contributions: Gerard has over 25 years' multi-country experience in consumer financial services and provides the Company with strong leadership.

3. ADRIAN GARDNER

Chief Financial Officer, age 53 D E

Adrian joined the Board on 2 January 2014.

Appointments and qualifications: Adrian was CFO of RSM Tenon Group plc overseeing its restructuring from late 2011 to late 2013. He was previously CFO of PA Consulting Group Limited and ProStrakan Group plc and a Managing Director of Lazard LLC. He graduated in Engineering Science and is a Fellow of the Institute of Chartered Accountants. He is a non-executive director of Amdocs Limited, a NYSE listed software and services business.

Key strengths and contributions: Adrian has over 10 years' experience as a Chief Financial Officer with specific skills in financial matters, funding, delivering change and M&A-driven growth.

4. TONY HALES CBE

Senior independent non-executive director, age 67 A N R

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

Appointments and qualifications: Tony was previously Chairman of Canal & River Trust, Chief Executive of Allied Domecq plc, Chairman of Workspace Group plc and NAAFI, and a non-executive director of Provident Financial plc, Welsh Water plc, Aston Villa plc, HSBC Bank plc and Reliance Security Group plc. He graduated in Chemistry from the University of Bristol and is currently Chairman of the Greenwich Foundation, a non-executive director of Capital & Regional plc and a board member of The Services Sound and Vision Corporation. He is also a director of Welsh National Opera Limited and chairs NAAFI Pension Fund Trustees.

Key strengths and contributions: Tony has strong business expertise, having been a chairman and non-executive director in profit and non-profit sectors. He has extensive knowledge of our business as well as having chaired and been a member of various committees since appointment.

Committee membership key

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

5. JAYNE ALMOND

Independent non-executive director, age 58 A R

Jayne joined the Board on 23 June 2015.

Appointments and qualifications: Jayne set up equity release firm Stonehaven and was CEO and then Executive Chairman until 2014. She has previously been Managing Director of Barclays Home Finance business, Group Marketing Director and Strategy Director at Lloyds TSB, Managing Director of Lloyds TSB's European Internet banking business and a senior partner at LEK Consulting. Jayne graduated in Philosophy, Politics and Economics from the University of Oxford. She is currently on the Council of Oxford University and Chair of its Audit and Scrutiny Committee.

Key strengths and contributions: Jayne has over 20 years' experience in financial services and is an experienced non-executive director. She has a strong background in consumer finance, marketing and strategy.

6. RICHARD MOAT

Independent non-executive director, age 61 A R T

Richard joined the Board on 1 July 2012.

Appointments and qualifications: Richard was previously Deputy CEO and CFO of Everything Everywhere Limited, the UK's largest mobile telecoms company. He was Managing Director of T-Mobile UK Limited and Chief Executive of Orange Romania SA, Orange Denmark A/S and Orange Thailand Limited. He was previously Chair of the ACCA Accountants for Business Global Forum and Trustee of the Peter Jones Foundation. He holds a Diploma in Corporate Finance and Accounting from London Business School and has a Master's (Honours) Degree in Law from St Catharine's College, Cambridge. He is a Fellow of the Association of Chartered Certified Accountants. He is currently Chief Executive Officer of Eir Limited, and an advisory board member of Tiaxa, Inc. Chile.

Key strengths and contributions: Richard has more than 20 years' international telecoms experience in senior management roles and provides financial and operational expertise along with international experience.

7. JOHN MANGELAARS

Independent non-executive director, age 51 N T

John joined the Board on 22 July 2015.

Appointments and qualifications: John worked previously for Microsoft for over 20 years specialising, in more recent years, in the sales and marketing of online products, MSN Messenger, Hotmail and Bing. He graduated from the Higher School of Economics in The Hague with a Bachelor in Information and Communication Technology (B ICT) and is currently the CEO of online travel agency Travix International.

Key strengths and contributions: John has considerable experience in sales and e-commerce, which will support expansion of our digital lending business and the Company's objective to increase penetration in online sales channels.

8. CATHRYN RILEY

Independent non-executive director, age 53 N R T

Cathryn joined the Board on 12 February 2014.

Appointments and qualifications: Previously Cathryn was Group Chief Operations Officer at Aviva plc. Other roles with Aviva included Group CIO, UK Commercial Director, COO and Customer Experience Director of UK Life plus she was chair of Aviva Healthcare UK Ltd, Aviva Healthcare UK Ltd, Aviva Global Services and Hill House Hammond. Her other roles included GM of Transformation at BUPA and a principal consultant in the financial services division at Coopers & Lybrand. She has an MA in Manpower Studies, completed CeDEP's General Management Programme, was a graduate of the Institute of Personnel/HR Management and is currently a non-executive director of ACE European Group Ltd and ACE Underwriting Agencies Ltd as well as AA Insurance Services Ltd and The Equitable Life Assurance Society.

Key strengths and contributions: Cathryn has over 20 years' experience in insurance and financial services together with international roles. She is an experienced non-executive director, having sat on the board of The Equitable Life Assurance Society since 2009 and also chairs its Remuneration Committee. She brings a wealth of experience in major IT transformation programmes, implementing new distribution channels and customer service.

"We are focused on strengthening our Board to take on the challenges and opportunities in our changing markets."

Dan O'Connor
Chairman

Careful oversight

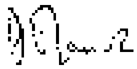
Dear Shareholder,
As I referenced earlier in this report, 2015 was a mixed year for the Group. We made excellent progress in Mexico and the development of IPF Digital following the acquisition and integration of MCB Finance. However, increased competition and regulatory developments have continued to have an impact on our home credit businesses, particularly in Europe.

Recruitment and succession planning was high on the Board and Committee agendas during the year and detail of the activity of the Nomination Committee is included on page 50. Significant changes to Board and Committee composition were made throughout 2015 and further changes have been implemented in respect of 2016. Notably, following Christopher Rodrigues' retirement in April, Nicholas Page retired from the Board in December 2015 after more than eight years on the Board. Richard Moat succeeded him as Chairman of the Audit and Risk Committee in September 2015. With effect from January 2016, in line with good governance practice to keep committee membership and chairmanship refreshed, Cathryn Riley succeeded Tony Hales as Remuneration Committee Chair. Tony will continue in his role as Senior Independent Director.

New additions to the Board during 2015 complemented the existing talent and brought with them fresh perspective and challenge, particularly in the areas of digital strategy and e-commerce. Insight into the scope of the Board's activities, discussions and resulting actions is provided on pages 48 and 49 of this report. A number of robust discussions took place throughout the year on our execution issues, such as regulatory developments and progress of the Transformation for Growth ("T4G") programme, as well as performance against our targets. The significant changes in legislation introduced in Poland and Slovakia during the second half of 2015 occupied considerable time on the Board agenda and the impact of these changes will have a material impact on the Group into 2016 and beyond.

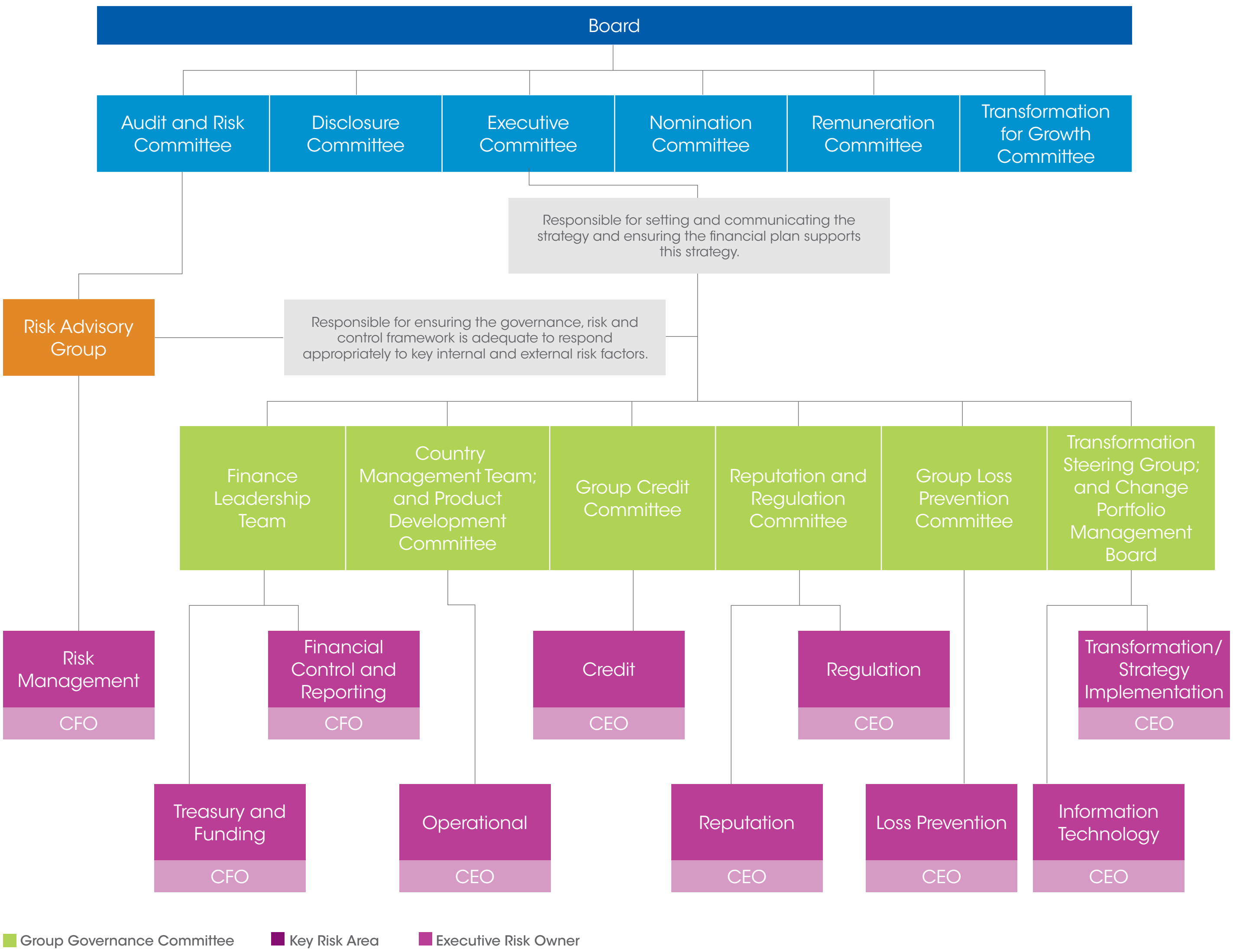
Our approach to risk management and risk appetite in relation to IPF Digital remains a work in progress. However, we see a great opportunity in IPF Digital to enable us to become a more agile, innovative and entrepreneurial organisation. As a Board, we need to respond to this and develop as the business continues to change. The Board, supported by the Audit and Risk Committee, spent time discussing specific risks that are more pertinent to IPF Digital, including information security and cyber-risks. Insight into these matters, as well as the other activities of the Audit and Risk Committee, is provided on pages 53 to 57 of this report.

Among other things, the Remuneration Committee undertook a review of the executive remuneration framework to ensure that it remains sufficiently motivating for management whilst at the same time reflecting the interests and concerns of shareholders and our evolved strategy. Further detail of the activity of the Remuneration Committee is provided on pages 70 to 89 of this report.



Dan O'Connor
Chairman

OUR GOVERNANCE AND OVERSIGHT STRUCTURE



"This section looks at our Board members, the role of the Board, its performance and its oversight."

Dan O'Connor
Chairman

2015 objectives

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

2015 achievements

- Regular updates on brand and product received.
- Launched IPF Digital in Spain in December 2015.
- Focused on Board composition and succession planning.
- Strengthened the Board with the appointment of Jayne Almond and John Mangelaars as independent non-executive directors.
- Oversaw the acquisition and integration of MCB Finance and subsequent creation of IPF Digital.
- Navigated changes in the Polish and Slovakian legislative environment.
- Led an independent review of the T4G programme.
- Approved additional funding under Eurobond and Polish Medium Term Note Programmes.

2016 objectives

- Monitor implementation of new product proposition in Poland in response to new pricing restrictions.
- Oversee run-off of agent-delivered home credit operations in Slovakia.
- Continued oversight of regulatory and competition risk.
- Review investment opportunities to achieve top-line growth in IPF Digital.
- Oversee growth plans for home credit business in Mexico, Romania and Bulgaria.
- Focus on efficiency through:
  - use of technology to increase customer experience and reduce cost base; and
  - strengthening sales and service organisational structure.
- Continued focus on leadership and development.

Meetings

The Board held eight scheduled meetings in 2015, four ad hoc meetings and one strategy retreat.

Board members

Dan O'Connor – Chairman (formerly Chairman-elect, from 2 January 2015)
Christopher Rodrigues (Chairman until 30 April 2015)
Gerard Ryan
Adrian Gardner
David Broadbent (until 23 February 2016)
Tony Hales
Jayne Almond (from 23 June 2015)
Edyta Kurek (until 16 January 2015)
John Mangelaars (from 22 July 2015)
Richard Moat
Nicholas Page (until 17 December 2015)
Cathryn Riley

Matters considered by the Board in 2015

January	• Update on People and Organisation Planning. • Sustainability review. • Consideration of Board evaluation results.
February	• 2014 Group financial results, Annual Report and Financial Statements and 2015 AGM notice reviewed. • Final dividend recommendation agreed. • Update of the Euro Medium Term Note Programme. • Review of Group Schedule of Key Risks and Risk Appetite Statements. • Approval of the Audit and Risk Committee's recommendation that the 2014 Annual Report and Financial Statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess performance, business model and strategy. • Recommendation to re-appoint Deloitte as the auditor of the Company approved.
April[1]	• Approval of additional fundraising under the existing Eurobond programme.
April	• Update of the Polish Medium Term Note Programme and approval of a new issue thereunder. • IPF Digital: business update, and review and approval in principle of Spanish business case. • Q1 2015 trading update statement reviewed and approved. • Advisory reports from proxy voting agencies reviewed. • Cathryn Riley's appointment to Nomination Committee approved.
May	• Board strategy retreat.
May[1]	• Approval of a significant contract in relation to the Mexican business.
June	• Update on a number of actions from the strategy retreat. • Discussion of capital structure. • Functional update: Health and Safety. • Approval of Jayne Almond's appointment to the Board. • Technical briefing on Inside Information, Announcements and Investor Relations.
July[1]	• Discussion of proposed revisions to draft total cost of credit amendment law in Poland and associated disclosure obligations.
July	• Update on Polish legislation. • Share buyback programme approved with a view to reducing equity to receivables ratio towards target of 40%. • Functional update: New Markets and Acquisitions. • Group results for the first six months and the 2015 half year financial report reviewed. • Declaration of interim dividend approved. • Issue of invitations to employees under the Save As You Earn and Have Your Share schemes approved. • Review of Group Schedule of Key Risks. • Approval of John Mangelaars' appointment to the Board.
September	• Update on Poland and product proposition. • Update on competition, product development and brand. • Technical briefing on accounting for impairment. • Approval of Jayne Almond's and John Mangelaars' Board Committee membership.
October	• Presentation by Tori following review of T4G programme. • Discussion of potential financial impact of Polish legislation changes. • IPF Digital: approval of Mexican business case. • Business updates on the Southern European businesses. • Discussion of Q3 2015 trading update statement.
December[1]	• Discussion of proposed revisions to consumer legislation in Slovakia and associated disclosure obligations.
December	• Budget and strategy plans for 2016 discussed. • Approval of changes in Board Committee composition.

1 Ad hoc meeting.

Standing agenda items were discussed at each scheduled meeting comprising reports from the Chief Executive Officer, Chief Financial Officer, Committee Chairs and Company Secretary; and a review of performance against KPIs.

"2015 saw further changes to Board composition, bringing new skills, challenge and oversight."

Dan O'Connor
Chairman

2015 objectives
- Search for new non-executive directors to be undertaken.
- Complete succession planning for a new Chairman.

2015 achievements
- Two new non-executive directors appointed.
- Successful transition from outgoing to incoming Board Chairman.

2016 objectives
- Identify successor for the Senior Independent Director role.
- Continue to review succession plans for the Board and key roles across the business.

Committee members
Dan O'Connor – Chairman (member from 28 January 2015 and Chairman from 30 April 2015)
Christopher Rodrigues (Chairman until 30 April 2015)
Tony Hales
Edyta Kurek (until 16 January 2015)
John Mangelaars (from 24 September 2015)
Nicholas Page (until 17 December 2015)
Cathryn Riley (from 29 April 2015)
Gerard Ryan

OVERVIEW

Role

The Committee's responsibilities include:

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

Composition

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

Boardroom diversity

The Board diversity policy was reviewed in June 2015 and was considered to remain appropriate.

In reviewing Board composition, the Committee considers the benefits of all aspects of diversity, including differences in skills, regional and industry experience, race and gender. Currently, we consider candidates as non-executives from a wide pool including those with little or no listed company board experience and review long lists of candidates, 50% of which we aim to ensure are women.

We only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice. The stated aim included in the policy is to ensure that our Board comprises at least two female directors. With the appointment of Jayne Almond to the Board during the year, we continue to meet our diversity commitments.

ACTIVITIES IN 2015

Meetings
The Committee met five times during the year.

Board changes
There were a number of changes in 2015. Christopher Rodrigues retired from the Board following the AGM on 30 April 2015 and was succeeded as Chairman by Dan O'Connor, who had been appointed on 2 January 2015 as non-executive director and Chairman-elect. In April, we commenced a search process with Russell Reynolds Associates and Spencer Stuart with a view to appointing two new non-executive directors. During the course of the search, a separate recommendation was received relating to Jayne Almond as a potential candidate. In June 2015, following the usual interview process for non-executive directors, the Committee recommended Jayne's appointment to the Board as a non-executive director. This was followed by the recommended appointment of John Mangelaars to the Board as a non-executive director in July 2015, as a result of the search carried out in conjunction with Russell Reynolds Associates. These new Board members bring a wealth of experience to support the Group as we seek to expand our digital lending business and increase our penetration in online sales channels. Spencer Stuart and Russell Reynolds Associates have no other connection with the Company.

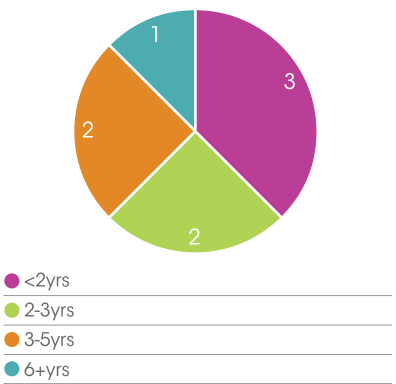
In September 2015, we announced that Nicholas Page would be stepping down from the Board. He left the business on 17 December after more than eight years on the Board. We also announced on 24 February 2016 that David Broadbent resigned from the Board on 23 February 2016 and would leave the Company on 7 March 2016 by reason of redundancy.

Board composition and succession
The Committee keeps under review the size, structure and composition of the Board and its committees. In addition to our focus on introducing new non-executive directors to the Board, the Committee considered Board-level succession planning throughout the year and made recommendations to the Board. In line with good governance practice to keep committee membership and chairmanship refreshed, in December 2015 we announced that Cathryn Riley would succeed Tony Hales as Chairman of the Remuneration Committee with effect from 1 January 2016. Tony Hales, the Group's Senior Independent Director, has served as Chairman of the Remuneration Committee since May 2010 and will remain a member of the Remuneration Committee.

Election and re-election of directors
Directors are appointed to the Board following a robust selection process and on the Committee's recommendation. The performance of each director is assessed on an annual basis as part of the Board evaluation process. In addition, a review of the independence of each non-executive director is undertaken and consideration given to the attendance of each director at Board and Committee meetings. Based on these reviews, the Board recommends the election/re-election of all directors who are standing for election/re-election at the 2016 AGM.

Tenure of directors
The tenure of all current directors is shown below.

Tenure of current directors



Further activities

At the beginning of 2016, the Committee also reviewed and approved Board and Committee meeting attendance, as shown below.

Attendance at meetings of the Board and Board Committees

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee	Transformation for Growth
Dan O'Connnor[1]	12 out of 12		4 out of 4		
Christopher Rodrigues[2, 3]	3 out of 4		0 out of 1		3 out of 3
Jayne Almond[4, 5]	5 out of 6	2 out of 2		0 out of 0	
David Broadbent[3, 6]	11 out of 12				5 out of 5
Adrian Gardner	12 out of 12				
Tony Hales[7]	12 out of 12	5 out of 6	5 out of 5	3 out of 3	
Edyta Kurek[8]	0 out of 0		0 out of 0		
John Mangelaars[9]	4 out of 4		0 out of 0		0 out of 0
Richard Moat	12 out of 12	6 out of 6		3 out of 3	5 out of 5
Nicholas Page[5, 10]	11 out of 12	6 out of 6	5 out of 5	3 out of 3	
Cathryn Riley[3, 11]	11 out of 12		4 out of 4	3 out of 3	5 out of 5
Gerard Ryan	12 out of 12		5 out of 5		

1 Dan O'Connor was appointed as Chairman of the Nomination Committee on 30 April 2015.

2 Christopher Rodrigues retired from the Board on 30 April 2015.

3 Christopher Rodrigues, David Broadbent and Cathryn Riley missed one ad hoc Board meeting (April) as they were unable to dial in. All had, however, expressed support for the proposals under discussion by email in advance.

4 Jayne Almond was appointed to the Board on 23 June 2015 and the Audit and Risk Committee and the Remuneration Committee on 24 September 2015.

5 Jayne Almond and Nicholas Page missed an ad hoc board meeting convened at short notice on 10 December 2015 to discuss proposed revisions to consumer legislation in Slovakia.

6 David Broadbent resigned from the Board on 23 February 2016.

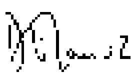
7 Tony Hales missed one meeting of the Audit and Risk Committee (July) due to an emergency medical appointment.

8 Edyta Kurek stepped down from the Board on 16 January 2015.

9 John Mangelaars was appointed to the Board on 22 July 2015 and the Nomination Committee and the Transformation for Growth Committee on 24 September 2015.

10 Nicholas Page retired from the Board on 17 December 2015.

11 Cathryn Riley was appointed to the Nomination Committee on 29 April 2015.



Dan O'Connor
Chairman

"The Committee was fully engaged in the acquisition of MCB Finance, and in responding to the significant challenges which arose in the competitive and regulatory environments."

Richard Moat
Chairman

2015 objectives

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

2015 achievements

- IPF Digital was integrated into the Group assurance activities. The new market entry process was monitored throughout 2015 and will be formally reviewed by internal audit in 2016.
- The effectiveness of the T4G programme was reviewed by both second and third line assurance providers and development points agreed to ensure the continued success of this initiative.
- Assurance processes were reviewed in light of the changing external environment and the acquisition of MCB Finance.
- Competitive environment monitoring was reviewed and suggestions for further improvements were made.
- The impact on field controls as a result of new sales and service organisational design implementation, including systems for the prevention and detection of fraud, were presented. Further updates will be provided as the implementation progresses.
- The approach to managing legal compliance and forward planning was reviewed. The recommendations are being monitored closely by the Committee.

2016 objectives

- Review the approach for implementing the IFRS 9 accounting requirements.
- Review the progress of enhancing the control environment for IPF Digital and the management of new market entry processes.
- Review systems for customer service and complaints management.
- Review the organisation's approach to implementing new products and sales delivery channels.
- Continue development of structures in place to ensure vigilant monitoring of legal and regulatory developments.

Commitee members

Richard Moat – Chairman (from 24 September 2015, previously member only)
Jayne Almond (from 24 September 2015)
Tony Hales
Nicholas Page (Chairman until 24 September 2015, member until 17 December 2015)

OVERVIEW

Membership

Our Audit and Risk Committee comprises three non-executive directors and is chaired by Richard Moat, a Fellow of the Association of Chartered Certified Accountants, and who has relevant and recent experience for the purposes of the UK Corporate Governance Code (the 'Code'). The Committee was chaired by Nicholas Page from 2007 until September 2015 and he was a member of the Committee until he retired from the Board in December 2015. Nicholas is a Fellow of the Institute of Chartered Accountants in England and Wales and also had the relevant and recent experience required by the Code. Meetings related to risk are normally attended by all members of the Board. The external auditor, Deloitte LLP, and the Chief Financial Officer are invited to attend all meetings and senior members of the internal audit and risk functions attend relevant meetings. Periodically, senior management from across the Group are invited to present on specific aspects of the business. The Committee also meets from time to time with the external auditor, without an executive director or member of the Group's senior management being present, to discuss the external audit process. The Head of Internal Audit reports directly to the Chairman of the Committee, which ensures his independence from the management and operation of the business. This role was vacant between May 2015 and January 2016 due to a prolonged search process. During this period, the internal audit function was led by the Group Internal Audit Manager with support from the Chairman of the Committee and the Chief Financial Officer.

Committee responsibilities

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

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

ACTIVITIES IN 2015

Meetings

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

Financial reporting

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

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

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

- Impairment of receivables: the key area of judgement in respect of impairment provisions made against customer receivables is the predictive accuracy of statistical models used to estimate future customer default rates and expected future timing of cash flows in respect of each portfolio. At both the half year and full year results, the Committee considered a paper prepared by management summarising the work performed to test the continued predictive capacity of these statistical models and to update them where appropriate. The external auditor performed audit procedures on impairment provisioning and reported its findings to the Committee.
- Impairment of receivables in Slovakia: the recent changes in legislation in Slovakia led to a decision to stop issuing new loans and collect out the receivables portfolio. The key area of judgement was to assess the impact of the decision to cease new lending and collect out the portfolio and how employees, agents and customers would respond to this scenario. The Committee considered management's judgements on the expected impact of this scenario. The external auditor performed procedures on the judgements made by management and assessed advice on the legal and regulatory situation in relation to the business' ability to continue to collect outstanding balances.
- Revenue recognition: the judgement in respect of revenue recognition is the methodology used to calculate

the effective interest rate. The external auditor performed procedures to assess management's calculations and assumptions used to calculate the effective interest rate and reported its findings to the Committee. This included the appropriateness of the revenue recognition policies adopted for new loan products.

- Provision for uncertain tax positions: IPF operates in multiple jurisdictions where the taxation treatment of transactions is not always certain and, therefore, management is required to make judgements, based on internal expertise and external advice, on the methodology to be adopted for providing for uncertain tax positions. The external auditor performed procedures to assess management's judgements and reported its findings to the Committee.
- Deferred tax accounting: the key judgement in respect of IPF's deferred tax assets, which arise largely from timing differences between the accounting and tax treatments of revenue and impairment transactions, is the extent to which the timing differences will reverse and a tax deduction will be obtained in future periods. The external auditor performed procedures to assess whether the recognition of the deferred tax asset is appropriate and reported its findings to the Committee.
- Regulation: the business is subject to regulatory scrutiny in multiple jurisdictions and at times it is appropriate to make provision for potentially adverse rulings by these regulatory authorities. The Committee received a report from the Group Legal Director outlining the various regulatory and other similar issues and management's approach. External audit discussed the matter with the Group Legal Director, reviewed the external legal advice and reported its findings to the Committee.
- Acquisition accounting: IPF acquired MCB Finance Group plc in February 2015. The key area of judgement in respect of the acquisition accounting was the identification of intangibles and the associated fair value of the assets acquired. The external auditor reviewed the judgement made by management, together with the underlying data to support it.

Internal control and risk management

While the Board is responsible for the Group's systems of risk management and internal control, the review of their effectiveness is delegated to the Committee. It is recognised that any system can provide only reasonable and not absolute assurance against material misstatement or loss. The Committee, with the Board in attendance, reviews and approves the Group Risk Register. The Board then formally considers the register on a six monthly basis and approves risk appetite annually. The internal control environments in place to mitigate the impact of each risk are monitored by the Committee on a regular basis, as are the principal actions being taken to improve them. The Committee requests additional presentations on key business areas as necessary to supplement its understanding of control environments in place. The areas covered by these in 2015 are referred to in the 'Training' section on page 56. The internal controls in relation to the preparation of consolidated Financial Statements are outlined on page 57.

In particular, the Committee has been focused on monitoring the control environment at IPF Digital, and the enhancements that are being adopted in this business, to bring this business in line with the control standards adopted by the broader Group.

At the same time, the Committee monitored the search process that was undertaken for the appointment of a new Head of Internal Audit, and in the meantime, along with the Chief Financial Officer, provided support to the Group Internal Audit Manager.

The Committee is supported in its work by the Risk Advisory Group, which in 2015 comprised the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer and Group Legal Director, together with other members of the senior leadership team. The Risk Advisory Group meets four times a year. It reports to the Audit and Risk Committee and considers the risk assessments and risk registers produced in each country, and updates the Group Risk Register. It also considers areas of specific risk and particular issues.

The Committee provides oversight and direction to the internal audit plan to ensure the plan provides independent assurance over the integrity of internal controls and the operational governance framework. In addition, Deloitte LLP, our external auditor, communicated to the Committee any control deficiencies in the internal control environment observed as part of its audit procedures. During the year, Deloitte did not highlight any material control weaknesses.

Internal audit

The opinion on the Group's internal control environment was provided by the Group Internal Audit Manager. PwC and KPMG were used to support specific thematic reviews where specialist technical knowledge was required.

During 2015, a series of planned internal audit reviews were undertaken in both field operations and head office environments. These were split between basic assurance reviews, covering core controls across the business as defined in the Group Risk Register, and thematic reviews providing a deeper review of topics agreed between the Group Internal Audit Manager, the Chairman of the Audit and Risk Committee and management, including the items shown in the 'Internal audit' table on page 56.

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

The Internal Audit function has continued to monitor the effectiveness of the overall operational governance and oversight structure throughout 2015.

Internal audit	
Basic assurance	Thematic reviews
Branch level reviews (covering one-third of branches) • Management of administration, operational, financial and loss prevention control and legal compliance oversight processes. **Head office reviews** • Oversight of branch performance monitoring and management. • Management of financial loss detection and prevention controls. • Management of financial control framework. • Management of the branch administration and quality control processes. • The existence and effectiveness of the controls used to monitor and manage each of the Group key risks (see pages 38 to 43).	**Group** • Third party and contract management. • People planning and development. • Legal compliance and forward planning. • Information security and business continuity. • IPF Digital operations. • Management of field cash and fraud controls. • Transformation programme governance and assurance processes. • Implementation of the field-based organisational design release within T4G. • Management of agent status risk.

External auditor effectiveness and independence

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

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

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

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

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

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

Non-audit services carried out by Deloitte in 2015	Fee £000
Taxation compliance services	109
Other assurance services	40
Total	149

Audit tendering and auditor rotation

The Company's policy is to undertake a formal tendering exercise of the audit contract at least once every ten years. The last tender exercise was carried out in 2011 and resulted in the appointment of Deloitte in May of that year. Deloitte has now been external auditor for almost five years and during this time the audit engagement partner has been Stephen Williams. The 'APB Ethical Standard 3 (Revised) Long Association With The Audit Engagement' requires the audit engagement partner to rotate after five years, unless the Committee decides that a degree of flexibility is necessary to safeguard the quality of the audit and the audit firm agrees, at which point the audit engagement partner may continue in this position for an additional period of up to two years. The Committee has considered the rotation of the audit engagement partner and has requested on the grounds of audit quality for Stephen Williams to lead the audit for a sixth time in 2016 before rotating to a suitably experienced partner at the AGM in 2017.

At its February 2016 meeting, the Committee recommended the reappointment of Deloitte to the Board and its reappointment will be put to shareholders at the 2016 AGM.

Training

The Committee undertook a significant amount of training during 2015. This included presentations on key business areas such as:

- organisational design of the field-based sales and service and loss prevention teams;
- management of product development and competition monitoring;

- the organisation's approach to responsible lending;
- fraud prevention and detection measures within the organisation;
- the organisation's approach and arrangements to manage whistleblowing;
- management of agent and development manager turnover;
- business continuity including the improvements made to enhance disaster recovery capabilities; and
- information security and the approach to addressing the ever increasing cyber-security risk.

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

Review of effectiveness of the internal controls

On behalf of the Board, the Committee has monitored the Group's risk management and its framework of internal controls, including financial, operational and compliance controls and risk management systems throughout 2015 and performed a formal assessment of their effectiveness. In addition, the Committee, where appropriate, ensures that necessary actions have been or are being taken to remedy failings or weaknesses identified from the monitoring activities or the review of the effectiveness of internal controls. The process for identifying, evaluating and managing the significant risks faced by the Group was in place throughout 2015 and up to 24 February 2016. The Committee has also undertaken a review of its own effectiveness among its members, executive directors, management and external advisors and concluded that it continues to be effective.

Annual Report and Financial Statements

The Committee reviewed and considered the Annual Report and Financial Statements in line with other information the Committee has considered throughout the course of the year. It concluded and recommended to the Board that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Richard Moat
Chairman

> "T4G remains at the heart of our strategy to deliver efficiency and maximise value."
>
> John Mangelaars
> *Chairman*

2015 objectives
- Broaden the range of products offered to customers and amend products as required because of regulatory changes.
- Develop a new Customer Relationship Management ("CRM") system for implementation in Mexico and Hungary.
- Develop a new sales and service organisation design.
- Develop and introduce agent technology in Hungary.
- Roll out standard Credit Decisioning System ("CDS") across all markets.

2015 achievements
- New monthly product introduced across European markets.
- Shorter and longer-term loan products introduced.
- New functionality to support product changes in Poland.
- Proxxi roll out completed.
- Developed a standardised approach to organisation design.
- New sales and service organisation design introduced in Hungary.
- CDS introduced in all markets.
- Credit bureaux used as part of credit decisioning in all markets.
- Decision in principle website functionality introduced across Europe.

2016 objectives
- Focus on deliverables that bring efficiency benefits.
- Roll out agent mobile technology.
- Complete roll out of sales and service organisation design across all home credit markets.
- Complete implementation of new CRM system in Mexico.

Committee members

John Mangelaars – Chairman (member from 24 September 2015; Chair from 1 January 2016)
David Broadbent (until 23 February 2016)
Edyta Kurek (until 16 January 2015)
Richard Moat
Cathryn Riley (Chair until 31 December 2015)
Christopher Rodrigues (until 30 April 2015)

OVERVIEW

Role

The Committee's responsibilities include:

- supporting the T4G programme and executive management to ensure it delivers quality outcomes at speed and within approved budgets;
- briefing the Board on progress and making recommendations in relation to issues that need to be escalated to the Board for consideration/approval;
- providing assurance to the Board that benefits are being delivered, costs are being controlled and T4G is supported effectively by appropriate, reliable plans and governance; and
- authorising commitments within financial limits delegated by the Board.

Composition

A quorum is three members.

ACTIVITIES IN 2015

Meetings

The Committee met five times during the year.

Throughout 2015, the Committee continued its oversight of each of the programme workstreams to ensure that delivery remained on track and the risks, costs and benefits were being considered.

In January, the Committee visited our Polish and Hungarian businesses to see how some of the programme deliverables were supporting the business locally. In Poland, the Committee got into the detail of product changes that had been delivered as part of the programme, including a monthly product, changes to the 'core' home collected product and 'decision in principle' functionality for the website. An Area Manager and a member of the Learning & Development team joined the meeting to give an overview of the innovative, multi-channel approach to training that had been used to help embed the changes, including self-study and the use of video clips, in addition to formal training sessions.

A key objective of T4G is to modernise our home credit business through the introduction of technology for the field workforce and through the implementation of a new organisation design for the sales and service function. In Hungary, the Committee received a demonstration of the handheld devices that are being piloted by agents. They were also introduced to the dedicated team that had spent a number of weeks in Budapest in the early part of the year to design the detailed approach to be adopted on the new organisation design. Throughout the year, the programme's organisation design work stream received a lot of attention from the Committee, not least because its key objective is to improve both the sales effectiveness and the efficiency of our sales and service workforce of over 3,300 employees and 28,500 agents; but also because such changes create significant people engagement and retention risks. The Committee returned to Hungary in October to meet representatives of the sales and service function who were operating under the new model and were pleased to see that people were motivated and that early indications from a business performance perspective were positive.

The new Credit Decision System was implemented in all markets and this, supported by integration with local credit bureaux, is the key driver of loan offers to both new and existing customers. In turn, this new technology means that we are now able to provide a 'decision in principle' for potential home credit customers who apply for a loan through one of our websites – the decision is in principle because the customer will have their application information verified by the agent in their home before the loan is fully approved. This functionality has been introduced in all the European markets.

We stated that the implementation of a new CRM system in Mexico and Hungary was an objective for 2015. A number of complications were experienced in Mexico, primarily in respect of the integration of the new CRM system with other legacy systems and the transfer of data between them. This prompted the Committee to review the benefits of a new Group CRM system in comparison with the cost of development and the technical complexity. The decision was taken to retain legacy CRM systems and pause the roll out of the new system. The new Mexico CRM system is, however, scheduled to go live in early 2016.

Issues with the Group CRM implementation and agent technology caused the Committee to recommend bringing in an independent third party to review the programme and Tori Global were engaged to undertake a programme review and report back to management and the Committee with its findings. Following discussion at the Committee and the Board, major reshaping of the programme has followed. T4G is now focusing on deliverables that will bring efficiency benefits and the programme management and technical oversights of these aspects have been strengthened significantly.

John Mangelaars
Chair

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

As a public company listed on the London Stock Exchange, we report in accordance with the UK Corporate Governance Code ("the Code"). The latest version of the Code was published in September 2014 and is available on the FRC's website: www.frc.org.uk.

We also have a secondary listing on the Warsaw Stock Exchange but consider reporting in line with the Code as our primary obligation in terms of this Annual Report and Financial Statements. At the time of listing in Warsaw, we issued a Statement on Corporate Governance in relation to 'The Code of Best Practice for WSE Listed Companies' in Poland, a copy of which can be found on our website.

The Board considers that throughout 2015 we applied the main principles and complied with the provisions set out in the Code.

A: LEADERSHIP

A.1: The role of the Board

The Board is responsible for the long-term success of the business and ensuring that it operates in the best interests of all its stakeholders. It meets regularly throughout the year providing leadership and strategic direction. Our business model and strategy can be found on pages 6 to 7 and 18 to 19. There is a formal schedule of matters reserved specifically to the Board for decision, published at www.ipfin.co.uk. Other matters are delegated specifically to six principal Board Committees. The Chairman of each Committee briefs the Board at each meeting on the principal items that were discussed, decisions made and key issues. Their terms of reference are available at www.ipfin.co.uk and from the Company Secretary. You can read about the membership and work of:

- the Nomination Committee on pages 50 to 52;
- the Audit and Risk Committee on pages 53 to 57;
- the Transformation for Growth Committee on pages 58 to 59;
- the Remuneration Committee in the Directors' Remuneration Report on pages 70 to 89.

The day-to-day running of the business is delegated to the Executive Committee, which in 2015 comprised the Chief Executive Officer, the Chief Financial Officer and the Chief Commercial Officer. In 2015, the Executive Committee met frequently to process a wide range of matters, often of a technical nature. The Disclosure Committee meets as required to consider whether an announcement to the London and Warsaw Stock Exchanges is required. During 2015, it comprised the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the Company Secretary and met five times.

Our governance framework extends to operational activities, with decision-making and oversight responsibilities delegated to a series of Group governance committees, as shown in 'Our governance and oversight structure' on page 47.

A.2: Division of responsibilities

The Board has approved a statement of the division of responsibilities between the Chairman (see A.3 below), the Senior Independent Director (see A.4 below) and the Chief Executive Officer.

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

A.3: The Chairman

The Chairman is responsible for chairing Board meetings and monitoring their effectiveness, and chairing the AGM and Nomination Committee. The Chairman was independent on appointment. The ongoing test of independence does not apply to the Chairman.

A.4: Non-executive directors

The independent non-executive directors have been appointed for a fixed period of three years, subject to re-election by shareholders. The initial period may be extended for a further period. Their letters of appointment may be inspected at our 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 Code.

Tony Hales is the Senior Independent Director. He is available to shareholders if they have concerns, which contact through the normal channels of Chairman, Chief Executive Officer and Chief Financial Officer has failed to address or for whom such contact is inappropriate. The Senior Independent Director will review the performance of the Chairman on an annual basis. In carrying out this review, the Senior Independent Director will consult with other Board members and consider the relationship between the Chairman and the Chief Executive Officer.

The Chairman has held a number of sessions with the non-executive directors without executive directors present, and the non-executive directors have met without the Chairman.

Where directors have concerns about the running of the Company, which cannot be resolved, these are recorded in the Board minutes. No such concerns have been raised during the period under review.

B: EFFECTIVENESS

B.1: The composition of the Board

At 31 December 2015, the Board comprised five non-executive directors, three executive directors and the Chairman. Biographical details and Committee membership are shown on pages 44 and 45, other than for David Broadbent, who resigned from the Board on 23 February 2016.

B.2: Appointments to the Board

Membership of our Board was refreshed during 2015, with Dan O'Connor joining as Chairman-elect in January and becoming Chairman in April on the retirement of

Christopher Rodrigues. Jayne Almond and John Mangelaars joined in June and July respectively and, having served the business as a non-executive director for over eight years, Nicholas Page retired from the Board in December. As a result, Richard Moat was appointed Chairman of the Audit and Risk Committee. Cathryn Riley was appointed Chairman of the Remuneration Committee in January 2016. Full details of the changes in 2015 are given in the Nomination Committee report on pages 50 to 52.

B.3: Commitment

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

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

The external commitments of the Chairman, Senior Independent Director and non-executive directors have been reviewed and the Board is satisfied that these do not conflict with the commitment required of them to the Company.

B.4: Development

Our policy is to provide appropriate training to directors. Training takes into account each individual's qualifications and experience and includes environmental, social and governance training as appropriate. Training also covers generic and specific business topics and in 2015 included presentations to the Board on subjects such as inside information, announcements and investor relations. A comprehensive, individually tailored induction plan is prepared for new directors. The Board also visited the businesses in Poland and Hungary and received updates from the Czech and Slovak management team. In addition to regular executive director visits, individual non-executive directors visited other markets during the year including Bulgaria, the Czech Republic, Mexico, Poland and Romania.

B.5: Information and support

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

B.6: Evaluation

In 2015, the Board carried out an internal evaluation of its performance with directors completing a questionnaire, the results of which were collated in early 2016 by the Company Secretary. Following a review of the results, the action plan for 2016 includes increased focus on longer-term strategic issues; more concise financial information; and regular monitoring of 'critical' risks.

Under the Code, evaluation should be facilitated externally at least every three years. Evaluation was last facilitated externally in 2013 by Andrew Jackson of Stanton Marris, who has no other connection with IPF. We intend to carry out an externally facilitated evaluation in 2016.

B.7: Election/re-election

Under our Articles of Association, each director must offer himself/herself for re-election every three years. After nine years, a director, other than an executive director, must offer himself/herself for re-election annually. A director who is appointed initially by the Board is subject to election at the next AGM. Consequently, Jayne Almond and John Mangelaars will stand for election in 2016. In accordance with best corporate governance practice, all other directors will offer themselves for re-election again at our AGM in 2016. Details of the directors, including the reasons for proposing their election/re-election, are contained in the Chairman's letter to shareholders, which will accompany the Notice of AGM.

C: ACCOUNTABILITY

C.1: Financial and business reporting

A statement of the directors' responsibilities in relation to the Financial Statements and the Group's status as a going concern is on pages 68 to 69. The Group's strategy and business model, relevant risks and key performance indicators are on pages 20 to 23 and 38 to 43. A statement confirming that the Board considers that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy is on page 68.

C.2: Risk management and internal control

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Details can be found on pages 38 to 43. The Board determines the Company's risk appetite and has established risk management and internal control systems. The Board reviews their effectiveness annually.

C.3: Audit Committee and auditors

The report of the Audit and Risk Committee is set out on pages 53 to 57. This details its composition, role and responsibilities, work during 2015, its interactions with the external auditor and our policy regarding external auditor tendering and rotation. The Committee's Terms of Reference are available at www.ipfin.co.uk.

D: REMUNERATION

D.1: The level and components of remuneration

Full details of the Company's policy on remuneration are contained in the Directors' Remuneration Report on pages 72 to 78.

D.2: Procedure

Development of the policy on executive remuneration is delegated to the Remuneration Committee. Details are set out in the Directors' Remuneration Report. No director is involved in deciding his/her own remuneration.

E: RELATIONS WITH SHAREHOLDERS

E.1: Dialogue with shareholders

The executive directors meet with institutional shareholders regularly. The Chairman and Senior Independent Director also meet with shareholders from time to time and held a constructive meeting with 11 institutional investors in November. The Chairman is responsible for ensuring that appropriate channels of communication are established between the executive directors and shareholders and for ensuring that the views of shareholders are made known to the entire Board. The Board is updated on investor relations on a regular basis.

The Board seeks to present IPF's position and prospects clearly. The Annual Report and Financial Statements, circulars and announcements we make to the London Stock Exchange and the Warsaw Stock Exchange are posted on our website: www.ipfin.co.uk.

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

E.2: Constructive use of general meetings

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

Shareholders are invited each year to the AGM. Our 2016 AGM will be held at 10.30am on Wednesday 4 May 2016 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 15 March 2016.

OTHER DISCLOSURES

In addition to the Code, we are required to comply with the Companies Act 2006, the Disclosure and Transparency Rules and the Listing Rules. These requirements are covered in this section.

Incorporation and constitution

International Personal Finance plc is registered in England and Wales under Company Number 6018973.

Our Articles of Association (the "Articles") may only be amended by a special resolution at a general meeting of shareholders and are available online at www.ipfin.co.uk, by writing to the Company Secretary or from Companies House in the UK.

Share capital

Details of our share capital are shown in note 27 on page 129. On 31 December 2015, there were 234,244,437 ordinary shares of 10 pence each in issue. No shares were issued during the year. 12,772,770 ordinary shares, with a nominal value of £1,277,277 representing 5.45% of the Company's called up share capital, were bought back. 7,312,111 shares were transferred to treasury during 2015, to be used primarily to satisfy share scheme exercises. 5,460,659 were cancelled.

The total consideration paid under the buyback programme in 2015, excluding costs, was £49,898,730. The average price paid per share was 390.66 pence. A share buyback was chosen as the most flexible mechanism to return the required level of capital value to shareholders and to reduce the capital ratio to around 40%. In addition, this method was expected to result in an increase in earnings per share.

The ordinary shares can be held in certificated or uncertificated form.

Shareholders' rights and obligations

The full rights and obligations attached to the Company's ordinary shares, in addition to those conferred on their holders by law, are set out in our Articles. A summary of those rights and obligations can be found below.

Restrictions on shareholders' rights

- Subject to any rights attached to existing shares, any share may be issued with or have attached to it such rights and restrictions as the Company may decide by ordinary resolution or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. Such rights and restrictions shall apply to the relevant shares as if the same were set out in the Articles.

Restrictions on holding securities

- No person shall be recognised by the Company as holding any share upon any trust.

Transfer

- There are no restrictions on the transfer (including requirements for prior approval of any transfers) or limitations on the holding of ordinary shares subject to the fact that the Board may refuse to register the transfer of:
  - a partly-paid share;
  - an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 2001; and
  - a certificated share if a duly executed transfer is not provided together with any necessary document of authority.

Voting

- There are no restrictions on voting rights except as set out in the Articles (in circumstances where the shareholder has not complied with a statutory notice or paid up what is due on the shares).

Alteration of share capital and variation of rights

- Sub-division: any resolution authorising the Company to sub-divide its shares, or any of them, may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others.
- Fractions: whenever as a result of a consolidation, consolidation and sub-division or sub-division of shares any holders would become entitled to fractions of a share, the Board may deal with the fractions as it thinks fit including by aggregating and selling them or by dealing with them in some other way.
- Variation of rights: subject to the provisions of the Companies Act, all or any of the rights attached to any existing class of shares may from time to time be varied either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

Profit and dividends

Details of the 2015 interim dividend declared by the Board and the proposed final dividend for 2015 payable in 2016 can be found on page 35. Our target dividend pay-out ratio is discussed on page 35.

Interests in voting rights

As at 31 December 2015, we had been notified, pursuant to the Disclosure and Transparency Rules, of the following notifiable voting rights in our issued share capital.

Name[1]	Voting rights	% of issued share capital[2]	Nature of holding
Standard Life Investments Ltd	22,030,815	9.97	Direct/Indirect
Marathon Asset Management LLP	12,841,168	5.01	Indirect
Franklin Templeton Investments Ltd	12,062,651	5.01	Indirect
Aberforth Partners LLP	11,605,513	5.01	Indirect
FMR LLC	12,625,113	4.97	Indirect
FIL Limited	12,711,680	4.94	Indirect
Old Mutual Asset Managers (UK) Ltd	12,547,167	4.88	Direct/Indirect
Schroders plc	12,287,572	4.77	Indirect
BlackRock, Inc.	11,670,102	4.54	Indirect
Norges Bank	9,274,419	3.99	Direct
Investec Asset Management Ltd	8,995,482	3.50	Indirect
Oppenheimer Funds Inc/Baring Asset Management Ltd	7,769,836	3.02	Indirect
BNP Paribas Investment Partners	7,017,954	3.02	Indirect

Between 1 January and 19 February 2016, we were notified pursuant to the Disclosure and Transparency Rules of the following notifiable voting rights in our issued share capital.

Name[1]	Voting rights	% of issued share capital[2]	Nature of holding
FMR LLC	11,193,648	5.06	Indirect

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

2 The '% of issued share capital' in the table above is based on the Company's issued share capital at the point of notification.

Agreements on change of control

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

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

- our 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;
- our Euro Medium Term Note[1] programme, which entitles any holder of a Note to require us to redeem such holder's Notes if there is a change of control and, following such change of control, the Notes are downgraded;
- our Polish Medium Term Note[2] programme, which entitles any holder of a Note to require the issuer to redeem such holder's Notes if there is a change of control and, following such change of control, the Euro Medium Term Notes are then downgraded (or if no such Notes are then outstanding, in certain other circumstances); and
- provisions in our share incentive plans may cause awards granted to directors and employees to vest on a takeover.

1 The Euro Medium Term Note programme was established in 2010. The following Notes (listed on the London Stock Exchange) have been issued under the programme and are outstanding as at the date of this report: Czech crown 100 million issued in July 2012 with a four-year term and a 9.0% coupon; Hungarian forint 4 billion issued in January 2013 with a five-year term and an 11.0% coupon; sterling 101.5 million issued in May 2013 and November 2013 with a seven-year term and a 6.125% coupon; Romanian Lei 60.5 million issued in October 2013 with a three-year term and an 8.1% coupon; Czech crown 250 million issued in November 2013 with a five-year term and a 5.25% coupon; Euro 300.0 million issued in April 2014 with a seven-year term and a 5.75% coupon; Euro 40.0 million issued in May 2014 with a four-year term and a 4.25% coupon; Czech crown 200 million issued in December 2015 with a three-year term and a 5.5% coupon; Euro 100 million 'tap' of our existing Eurobond issued in April 2015 with a six-year maturity and a 5.75% coupon; and Romanian Lei 43.5 million and 22.0 million bonds issued in December 2015 with a three-year term and a 7.0% coupon.

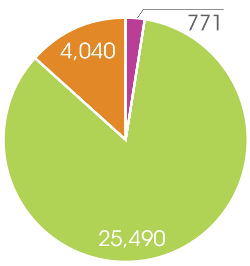
2 Under the Polish Medium Term Note programme, a subsidiary company, IPF Investments Polska Sp. z o.o., issued 200 million Polish zloty Notes which are listed on the Warsaw Stock Exchange; they mature on 3 June 2020 and the coupon is a floating rate of six-month WIBOR plus a margin of 425 basis points.

Carbon reporting

We have reported on all of the carbon emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Our emissions data has been calculated in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard, and we have used emissions factors from the UK Government's Greenhouse Gas Conversion Factor Repository. The emissions data covers our operations in the UK, Poland, the Czech Republic, Hungary, Slovakia, Mexico, Romania, Bulgaria and Lithuania. IPF Digital data is not included for 2015 as the full year's data is not available but this will be included in 2016. These sources fall within our consolidated Financial Statements. Where available data is incomplete, we have extrapolated data.

		Tonnes CO_2e			
Carbon emissions sources	Travel & utilities	2013	2014	**2015**	% change
	Gas	624	918	**771**	(16.0)%
Scope 1	Business travel by car	24,267	23,996	**25,490**	6.2%
Scope 2	Purchased electricity	5,280	5,116	**4,040**	(21.0)%
		30,171	30,030	**30,301**	0.9%
Scope 1&2	CO_2e emissions by customer	0.013	0.012	**0.012**	(6.9)%

Total CO_2e emissions 2015 (Tonnes CO_2e)



- Gas
- Business travel by car
- Purchased electricity

Outcomes

In 2015, our GHG emissions for scope 1 and 2 increased by 1%. However, as a growing business, we find it more appropriate to measure progress by normalising this data against customer numbers. When normalised by customer number our scope 1 and 2 GHG emissions fell by 6.9% compared with 2014 and 12.5% compared to base-year 2013.

We aim to reduce our environmental impact where possible and our Transformation for Growth programme is instrumental in helping us to achieve this. The programme focuses on processes, people and technology, and one expected outcome of this is to deliver resource savings for the business. By streamlining our existing processes, we are achieving relative savings against our most significant environmental aspects: business travel by car; electricity; and paper purchased. A full environmental policy statement can be found in the sustainability section of the Company's website: www.ipfin.co.uk.

Employees

- Engagement

Employee engagement is important to us and in 2015 we surveyed employees across the Group in conjunction with Gallup. Action plans were then developed as part of our continued commitment to empower our people.

Appointment and removal of directors

The Board may appoint any person as a director of the Company to hold office until the next AGM, when they may stand for re-election by shareholders. Under the Articles, Directors retire by rotation on a three yearly basis. However, in line with the Code, all directors of the Company stand for re–election annually.

Donations

Charitable

- The total value of our community investment contribution across the Group was £571,284 in 2015 (2014: £727,297). Our employees also volunteered 11,301 hours in Company time to local communities and a further 5,876 hours in their own time. We mobilised 3,408 of our employees into effective community activities, reflecting our direct impact on the communities in which we operate.

Political

- No political donations were made.

Directors' powers

Authority to purchase shares

- At the 2015 AGM we received shareholder authority to buy back up to 23,163,999 of our own shares until the earlier of the conclusion of the 2016 AGM and 30 July 2016. Any ordinary shares so purchased could be cancelled or held in treasury. This authority was exercised in 2015 to the extent described on page 62. A further authority to purchase our own shares will be sought at the 2016 AGM.

Power to allot securities and pre-emptive rights

- As at 31 December 2015, the directors had authority to allot further securities up to an aggregate nominal amount of £7,721,000 and, broadly, up to a further £7,721,000 for a rights issue. Further authorities will be sought at the 2016 AGM including the disapplication of pre-emption rights in certain circumstances.

Borrowing powers and other restrictions

- 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 our Articles. For example, our Articles contain specific provisions and restrictions regarding IPF'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.

Directors' conflicts of interest

To take account of the Companies Act 2006, the directors adopted a policy on conflicts of interest and established a register of conflicts. The directors consider that these procedures have operated effectively in 2015 and up to 24 February 2016.

Directors' indemnities and insurance

Our Articles permit us to indemnify our directors (or those of any associated company) in accordance with the Companies Act 2006. However, no qualifying indemnity provisions were in force in 2015 or at any time up to 24 February 2016 other than under the International Personal Finance plc Pension Scheme ('the Pension Scheme'). Under the deed establishing the Pension Scheme, we grant an indemnity to the trustee and the directors of the trustee. Three of these directors are directors of subsidiaries of IPF.

We have appropriate Directors' and Officers' liability insurance in place.

BUDGETARY PROCESS AND FINANCIAL REPORTING

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

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

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

SHARE INCENTIVES

Equity incentive schemes

The Company currently operates six equity incentive schemes. Details of individual grants to directors made in 2015 are set out in the Directors' Remuneration Report on pages 82 to 83. The schemes are as follows:

Scheme	Abbreviated name	Eligible participants
The International Personal Finance plc Approved Company Share Option Plan	CSOP	Executive directors and senior managers
The International Personal Finance plc Deferred Share Plan	Deferred Share Plan	Executive directors and senior managers
The International Personal Finance plc Have Your Share Plan	Have Your Share Plan	Overseas employees
The International Personal Finance plc Performance Share Plan	Performance Share Plan	Executive directors and senior managers
The International Personal Finance plc Employee Savings-Related Share Option Scheme	SAYE Scheme	Executive directors and UK employees
The International Personal Finance plc Discretionary Award Plan	Discretionary Award Plan	Employees other than executive directors

Details of outstanding awards are as follows:

Scheme	Awards outstanding at 31 December 2014	Awards lapsed in 2015	Awards exercised/ vested in 2015	Awards outstanding at 31 December 2015	Exercise price (if any)	Normal exercise/vesting date	Awards exercised/ vested from 1 January to 19 February 2016
CSOP	332,269	(27,864)	(120,407)	213,812	208p – 636p	23 Jul 2013 – 1 Mar 2025[1]	–
Deferred Share Plan	1,621,277	(1,963)	(610,652)	1,490,878	–	24 Mar 2014 – 1 Mar 2025	–
Have Your Share	217,021	(20,896)	–	309,257	–	2 June 2017 – 2 September 2018	–
Performance Share Plan	4,680,926	(302,466)	(1,425,169)	4,420,849	–	23 Jul 2013 – 1 Mar 2025[1]	(2,987)
SAYE Scheme	400,428	(93,334)	(142,924)	407,587	112p – 509p	01 Oct 2014 – 30 Apr 2021[2]	–
Discretionary Award Plan	–	–	–	120,000	–	8 May 2018	–

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

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

EMPLOYEE BENEFIT TRUST

We operate two employee trusts with an independent trustee, Capita Trustees Limited, to hold shares pending employees becoming entitled to them under our share incentive plans. On 31 December 2015, the trustees held 533,181 shares in IPF. The trusts waive their dividend entitlement and abstain from voting the shares at general meetings. Shares to be acquired through our share plans rank pari passu with the shares in issue and have no special rights.

OTHER EXTERNAL STAKEHOLDERS

Supplier policy statement

We agree terms and conditions for our business transactions with suppliers and payment is made in accordance with them, subject to the terms and conditions being met by the supplier. IPF acts as a holding company and had no material trade creditors at 31 December 2015. The average number of days' credit taken by the Group during the year was 18 days (2014: 19 days).

Key contracts and other arrangements

This information is given pursuant to Section 417(5)(c) of the Companies Act 2006. Our trading subsidiaries have entered into contracts with their agents, who are self-employed. The exception to this is Hungary, and from 30 December 2015, Romania where agents are employed for regulatory reasons. Agent agreements govern the relationship and the agents are remunerated primarily for repayments collected.

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

The Group's activities in the Czech Republic, Poland, Mexico and Spain are subject to general trade licences only, as opposed to any licensing or supervision by a financial authority. In Romania and Lithuania, the business is included in a register of credit providers maintained by the respective National Bank and in Finland by the Regional State Administrative Agency of South Finland. The Group's operations in Bulgaria, Hungary and Slovakia are subject to an operating licence issued by the respective National Bank and in Estonia to a licence by the Financial Supervision Authority and in Latvia to a licence by the Consumer Rights Protection Centre. The business in Australia holds a credit licence issued by the Australia Securities and Investment Commission (Australia). There are licensing proposals in the Czech Republic.

Whistle-blowing

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

REPORT ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MATTERS

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

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

Corporate affairs activity, health and safety, people management and business ethics issues were all discussed at Board meetings in 2015. The Board formally reviews a sustainability report on a quarterly basis. The Board has received adequate information to make an assessment against ESG risks.

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

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

During 2015, we continued to build on the success of our business ethics programme with a focus on communications and training around our Code of Ethics. 97% of employees completed business ethics training successfully during 2015. We also started to extend this training to our agents and 80% of agents in Europe completed it successfully. We plan to roll out training to the remainder of agents in 2016. The training, which utilises ethical dilemmas that our employees and agents may face, ensures that employees and agents are fully aware of our business ethics programme and Code of Ethics. We plan to conduct the training for employees and agents annually.

We view the health and safety of our employees, agents and other people who may be affected by our activities as a key strategic priority. Our arrangements for safety have been assessed independently against OHSAS 18001 and all home credit markets, including Group head office, were certified as compliant. The framework is overseen by the Group Loss Prevention Committee, which reports annually to the Board by means of a written report. Each subsidiary board is responsible for the implementation of its own health and safety policy, and health and safety is considered regularly at Group Board meetings.

Community investment activity is focused on the needs of the communities we serve and we utilise London Benchmarking Group (LBG) methodology to measure this investment in terms of inputs, outputs and impacts. Our application of the LBG model is assured by Corporate Citizenship. Our Environmental Management System is subject to internal audit by Ricardo Energy & Environment.

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

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

Full information on specific ESG matters, and how these are managed, can be found in the sustainability section of our website: www.ipfin.co.uk.

ANNUAL REPORT AND FINANCIAL STATEMENTS

International Personal Finance plc presents its own Annual Report and its Consolidated Annual Report as a single Annual Report.

Directors' responsibilities in relation to the Financial Statements

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

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

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

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

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

Responsibility statement

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

It is given by each of the directors, namely: Dan O'Connor, Chairman; Gerard Ryan, Chief Executive Officer; Adrian Gardner, Chief Financial Officer; Tony Hales, senior independent non-executive director; Jayne Almond, non-executive director; John Mangelaars, non-executive director; Richard Moat, non-executive director; and Cathryn Riley, non-executive director.

To the best of each director's knowledge:

a) the Financial Statements, prepared in accordance with the IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;

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

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

Statement of the directors in respect of the Annual Report and Accounts review process

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

Disclosure of information to the auditor

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

Going concern

The Board statement on its adoption of the going concern basis in preparing these Financial Statements is given on page 37.

The Board's review of the system of internal control

The Board is responsible for the Group's overall approach to risk management and internal control and, on the advice of the Audit and Risk Committee, has reviewed the Group's risk management and internal controls systems for the period 1 January 2015 to the date of this Annual Report and Financial Statements, and is satisfied that they are effective.

By order of the Board

Ben Murphy
Company Secretary

24 February 2016

2015 objectives
- Review of executive remuneration framework against market practice and governance requirements.

2015 achievements
- Review concluded that no changes to Directors' Remuneration Policy required for 2016, pending shareholder vote at 2017 AGM.

2016 objectives
- Thorough review of Directors' Remuneration Policy ahead of shareholder vote at the 2017 AGM.
- Review and simplification of existing LTIP arrangements in light of expiry of PSP rules in 2017.
- Re-tender remuneration consultancy agreement.

Committee members
Cathryn Riley – Chair (from 1 January 2016)
Tony Hales (Chair until 31 December 2015)
Jayne Almond (from 24 September 2015)
Richard Moat
Nicholas Page (until 17 December 2015)

Dear shareholder,
On behalf of the Board, I am pleased to present our Remuneration Report for 2015, my first as the Chair of the Remuneration Committee. As the new Chair, I would like to pay tribute to Tony Hales' leadership of the Committee for the past five years.

One of my main objectives for 2016 is to oversee a comprehensive review of our directors' remuneration framework in line with the requirement to renew our existing LTIP arrangements and current Remuneration Policy, both of which will expire in 2017. The Committee also recognises the increasingly common expectation of investors that vested share awards be subject to additional holding periods (as reflected in the latest Investment Association Principles of Remuneration) and the general direction towards simplification of incentives. While the Committee currently remains content with the existing 50% deferred vesting and shareholding requirements, both of these drivers will feature heavily in the remuneration review to be carried out during 2016. We will consult with investors regarding any proposed changes to arrangements.

Remuneration review
In making decisions about remuneration, the Committee is mindful that 2015 was a year of mixed progress and one where our strategic priorities have continued to evolve.

Our current executive remuneration framework is intended to strike an appropriate balance between fixed and variable components and provide a clear link between pay and our key strategic priorities. Executive director and senior management rewards have a substantial performance-related element, with targets incentivising the delivery of the strategy over the short and long term, balancing the interests of employees and long-term shareholders. The annual bonus for the executive directors is targeted 50/50 between financial measures and personal objectives linked to achievement of the Group's strategy. The maximum possible outcome based on their personal objectives is capped at the amount achieved under the financial measures element. Two-thirds of the total bonus amount is deferred for three years in Company shares that are eligible for a matching award subject to performance conditions. Both the matching awards and the LTIP scheme are designed to motivate and reward longer-term performance and incentivise absolute shareholder value creation through a mix of measures.

During the year, with our remuneration consultants' support, we undertook a review of the above framework against market and best practice governance requirements. The Committee was particularly keen to ensure that the incentive arrangements remained sufficiently motivating for management whilst at the same time reflecting the interests and concerns of shareholders and the evolved strategy. The Committee also noted the revisions to the Corporate Governance Code in relation to performance adjustment or post-vesting clawback for executive directors' variable pay. Such provisions had already been included into our framework and the Remuneration Policy approved at our 2014 AGM. The conclusion of the review was that no changes to the current framework were required for 2016.

We did not propose a resolution to approve any changes to the policy at the 2015 AGM. In light of the 2016 strategic review referred to above, we do not intend to propose such a resolution at the 2016 AGM, but our intention is to put forward a revised policy for approval at our 2017 AGM.

Remuneration for 2015

Details of the remuneration decisions for 2015 are set out in the Annual Report on Remuneration starting on page 79. In summary, for the year ended 31 December 2015, profit before tax and exceptional items was £116.1 million. The acquisition of MCB Finance Group plc was successfully completed in February 2015 followed by the creation of IPF Digital. This year also saw increased regulatory pressures and higher levels of competition in our European markets in particular. Overall, financial performance during the year remained robust and profit before tax growth on an underlying basis before exceptionals and additional investment in IPF Digital and negative FX impact was 10%. Consequently, the outcomes on the financial performance measures of the annual bonus were strong and would ordinarily have resulted in a bonus of 42.8% of salary. The Chief Executive Officer noted however that shareholders had suffered a significant decline in the Company's share price during the year and therefore recommended that the formulaic bonus outcomes that would have been warranted by the profit before tax objectives should be reduced from 42.8% to 25%, with a corresponding reduction in the maximum amount that could be achieved on the personal objectives. The Committee accepted the Chief Executive Officer's recommendation in respect of the proposed reduction in bonus and this resulted in a total 45% of the Chief Executive Officer's maximum bonus (45% of salary), 31.7% of the Chief Financial Officer's maximum bonus (31.7% of salary) and 25% of the Chief Commercial Officer's maximum bonus (25% of salary) paying out for 2015, with one-third delivered in cash and two-thirds deferred in Company shares for the Chief Executive Officer and the Chief Financial Officer (as per the approved policy).

The main activities of the Committee during the year were:

- assessed performance of executive directors and determined annual bonuses for 2015;
- approved share awards for 2015;
- approved the director fees for Jayne Almond and John Mangelaars;
- reviewed remuneration benchmarking and set base salaries for executive directors;
- with the support of our remuneration consultants (Kepler Associates), reviewed the executive remuneration framework against market and best practice governance requirements;
- considered remuneration market trends and corporate governance developments;
- established the executive directors' bonus arrangements for 2016; and
- set bonus targets for the executive directors for 2016.

Key decisions for 2016

- The Committee has reviewed the base salary of the executive directors and there will be no increases for 2016.
- There will be no substantial changes in remuneration policy for 2016. All maximum opportunities will remain the same in 2016 as in 2015.
- The Committee approved the redundancy terms for the Chief Commercial Officer.
- We intend to carry out a further detailed review of the executive remuneration framework during 2016 with the objectives of rationalisation and simplification as well as ensuring a continued link between strategy, performance and reward.
- In line with best practice, we also intend to review and re-tender for the independent external advisors to the Committee.

Remuneration disclosure

This report complies with the requirements of the Large and Medium-sized Companies and Groups Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (September 2014) and the Listing Rules.

At the 2014 AGM, we received strong support from our shareholders for our first Directors' Remuneration Policy under the new reporting regulations, with a 97.1% vote in favour. This followed an assurance published on our website in relation to the use of discretion in retention arrangements, which is intended to be binding throughout the duration of the policy. The Directors' Remuneration Policy included in last year's report was as approved at the 2014 AGM, updated to reflect the latest data and also the assurance mentioned above. Once again, the policy is reproduced in full in this year's report for ease of reference, updated to reflect the latest data.

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

- the Directors' Remuneration Policy (pages 72 to 78) contains details of the remuneration policy that received shareholder approval at the 2014 AGM; and
- the Annual Report on Remuneration (pages 79 to 85) sets out how our remuneration policy was implemented for the year ended 31 December 2015 and how we intend for the policy to apply for the year ended 31 December 2016.

At the AGM to be held in May 2016:

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

We hope to receive your support at the AGM.

Cathryn Riley
Chair

DIRECTORS' REMUNERATION POLICY

Remuneration policy table

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

The report below is as disclosed in the 2014 Directors' Remuneration Report except for a number of minor clarifications as follows:

- references to financial years have been updated as appropriate;
- pay-for-performance scenario charts have been updated to reflect 2016 salaries; and
- the section on Directors' service agreements has been updated with details of current directors' service contracts and engagement letters.

Summary of remuneration policy for executive directors

How the element supports our strategic objectives	Operation of the element
Base salary	
To attract and retain talent capable of delivering the Group's strategy. Rewards executives for the performance of their role.	Base salary is paid in 12 equal monthly instalments during the year. Salaries are normally reviewed annually and any changes are effective generally from 1 April in the financial year. Salary levels are set taking into account role, experience, responsibility and performance, both of the individual and the Company, and also taking into account market conditions and the salaries for comparable roles in similar companies.
Pension	
To provide retirement funding.	The Company operates a stakeholder scheme; at the discretion of the Committee, this may be paid as a cash allowance. The Company has closed its defined benefit scheme to new members. David Broadbent is a deferred member.
Benefits	
To provide market-competitive benefits that support the executive directors to undertake their role.	The Company pays the cost of providing the benefits on a monthly, annual or one-off basis. All benefits are non-pensionable.
Annual bonus	
To motivate and reward sustainable profit growth and the achievement of specific personal objectives linked to the Company's strategy. An element of compulsory deferral to provide a link to the creation of sustainable long-term value creation.	Measures and targets are set annually and pay-out levels are determined by the Remuneration Committee after the year end based on performance against those targets. The Remuneration Committee may, in exceptional circumstances, amend the bonus pay-out should this not, in the view of the Committee, reflect overall business performance or individual contribution. Two-thirds of the total bonus amount is deferred for three years in Company shares. The remaining third is paid in cash. Payments are made around three months after the end of the financial year to which they relate. Deferred shares normally vest after three years and may be adjusted to reflect the impact of any variation of share capital, in accordance with the plan rules. On the vesting of awards, executive directors receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the vesting of the award on the number of shares which have vested. There are provisions for clawback in the event of a restatement or material misjudgement of performance.

Executive directors

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

Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Normally salary increases take into account increases awarded across the Group and are normally in line with increases awarded to UK employees. By exception, higher awards may be made at the Committee's discretion to reflect individual circumstances. For example: • changes to role which increase scope and/or responsibility; • development and performance in the role; and • responding to competitive market pressures. There is no prescribed maximum increase.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.
Company contribution is 20% of base salary.	None.
The standard benefit package includes: • life assurance of 4x salary; • car allowance; • long-term disability cover; • private medical cover for executive director and immediate family; and • annual medical. Additional benefits may also be provided in certain circumstances which may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Committee.	None.
Maximum opportunity: 100% of base salary. On target opportunity: 80% of base salary. Threshold opportunity: 20% of base salary.	Performance is measured over the financial year. Performance is assessed using the following criteria: 50% is based on achievement of financial measures; and 50% is based on achievement of personal objectives linked to achievement of the Company strategy. The award for achievement of personal objectives is conditional upon achievement of the financial measures (i.e. the maximum achievable on the personal objectives cannot exceed the amount achieved under the financial measures element).

How the element supports our strategic objectives	Operation of the element
Deferred Share Plan ('DSP') Share Matching Scheme	
To strengthen the link to the creation of sustainable long-term value creation provided under the deferred element of the annual bonus.	Deferred bonus share awards are eligible to receive matching shares on a one-for-one basis. The Remuneration Committee has discretion to decide whether and to what extent targets have been met, and if an exceptional event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them. Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules. On the vesting of awards, executive directors receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the vesting of the award on the number of shares which have vested. The DSP has provision for clawback in the event of restatement of the Company's Financial Statements or a material misjudgement of performance.
Long-term Incentive Plans ('LTIP')	
Performance Share Plan ('PSP') and Approved Company Share Option Plan (HMRC approved) ('CSOP')	
To motivate and reward longer-term performance, and support shareholder alignment through incentivising absolute shareholder value-creation.	Annual grant of awards, part of which are under the CSOP, generally made as nil-cost options over a specific number of shares. The Remuneration Committee has discretion to decide whether and to what extent targets have been met, and if an exceptional event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them. Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules. On vesting, 50% of shares that vest are available for exercise immediately and 50% are available 12 months later. On exercise of a nil-cost option following the first anniversary of the end of the vesting period, executive directors receive an amount in cash equal to the dividends paid or payable in the 12 month period following vesting of the award on the number of shares which have vested. The PSP has provisions for clawback in the event of restatement of the Company's Financial Statements or a material misjudgement of performance.
All-Employee Share Plan ('SAYE')	
	UK-based executive directors are entitled to participate in a UK tax approved all-employee plan, The International Personal Finance plc Employee Savings-Related Share Option Scheme, under which they make monthly savings over a period of three or five years linked to the grant of an option over Company shares with an option price which can be at a discount of up to 20% of the market value of shares on grant. Options may be adjusted to reflect the impact of any variation of share capital.
Shareholding requirement	
To support shareholder alignment by encouraging our directors to align with shareholders.	Executive directors are expected to acquire a beneficial shareholding over time. Shares which have vested unconditionally under the Company's equity schemes will be taken into account with effect from the date of vesting (but not before). 50% of all share awards vesting under any of the Company's equity incentive schemes (net of exercise costs, income tax and social security contributions) must be retained until the shareholding requirement is met.
Executive directors serving as non-executive directors	
To encourage self-development and allow for the introduction of external insight and practice.	With the consent of the Board, executive directors may hold one non-executive directorship in an individual capacity and will retain any fees earned.
Provisions of previous policy that will continue to apply – LTIP Awards made in 2011 and 2012	
To motivate and reward longer-term performance, and support shareholder alignment through incentivising absolute shareholder value-creation.	The outstanding awards under the LTIP will continue to form part of the remuneration policy until vesting.

Maximum potential value and payment at threshold	Performance metrics used, weighting and time period applicable
Vesting is dependent on service and performance conditions. Maximum opportunity: one-for-one match on awarded shares (two-thirds of bonus earned). This is equivalent to up to 67% of salary for executive directors. 25% of the award vests at threshold performance.	Matching shares vest on the same basis as for the PSP and CSOP.
In normal circumstances, annual award levels for executive directors are 125% of base salary at the time of grant. The rules of the plan permit annual individual grants of up to 150% of base salary. The Committee retains the discretion to make awards up to the individual limit under the plan and would expect to consult with significant investors if awards were to be made routinely above normal levels, as the Committee did prior to increasing award levels for 2013. Vesting is dependent on service and performance conditions. 25% of the award vests at threshold performance.	Service and performance conditions must be met over a three-year period. Performance is assessed against three independently measured metrics which are weighted equally: • 1/3 absolute TSR performance; • 1/3 cumulative EPS growth; and • 1/3 growth in revenue less impairment. The targets are set by the Committee. Details of the targets for awards granted in 2015 are set out in the Annual Report on Remuneration. Targets for future years will be set out in the Directors' Annual Remuneration Report of the relevant year. A six-month averaging period is used for calculating TSR.
Participation limits are those set by the UK tax authorities from time to time. Currently this is £500 per month.	
The current shareholding requirement for executive directors is 200% of base salary.	
	Absolute TSR growth measure only, subject to the Committee being satisfied that the Company's absolute TSR performance is a fair reflection of the performance.

Non-executive directors

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

The Remuneration Committee reviews the Chairman's fees.

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

Summary of remuneration policy for non-executive directors

Element	Purpose	Operation
Fees	To attract and retain a high-calibre Chairman and non-executive directors by offering market competitive fees.	Fees are paid on a per annum basis and are not varied for the number of days worked. The level of the Chairman's fee is reviewed periodically by the Committee (in the absence of the Chairman) and the executive directors. The Chairman and executive directors review non-executive directors' fees periodically in the light of fees payable in comparable companies or to reflect changes in scope of role and/or responsibility. As approved at the 2014 AGM, the maximum annual aggregate fee level for all non-executive directors allowed by the Company's Articles of Association is £650,000. The Senior Independent Director and chairs of the Board committees are paid an additional fee to reflect their extra responsibilities. Any non-executive director who performs services which, in the opinion of the Board, go beyond the ordinary duties of a director may be paid such additional remuneration as the Board may authorise. Fees are paid on a quarterly basis.
Shareholding requirement	To support shareholder alignment by encouraging our directors to align with shareholders.	Non-executive directors are expected to acquire a beneficial shareholding equivalent to 100% of their director's fee within three years of appointment.

Notes to the policy table

Performance measures and targets

The Committee selects annual bonus performance conditions that are central to the achievement of the Company's key strategic initiatives for the year and reflect both financial and non-financial objectives. To balance this, the performance conditions for the LTIP are linked to long-term value creation: TSR aligns with our focus on shareholder value creation; EPS provides strong line-of-sight for executives and supports our long-term strategy; and Revenue less impairment supports our focus on sustainable growth. The performance targets are determined annually by the Committee and are set typically at a level that is stretching and achievable, taking into account our strategic priorities and the economic environment in which we operate. Targets are normally set with reference to a range of data points, including the budget, sell-side analyst forecasts, historical performance, and incentive performance ranges at the Company's comparators, where disclosed.

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

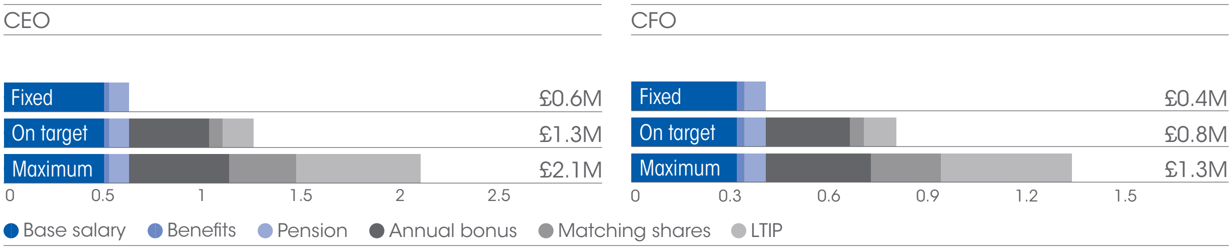
Total remuneration opportunity

We have set out an illustration of the remuneration policy for 2016 in line with our remuneration policy above.

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

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

- Fixed: fixed remuneration only (i.e. latest known salary, benefits and pension).
- On target: fixed remuneration plus on target annual bonus (80%) plus threshold PSP/DSP matching shares vesting (assumes deferral of two-thirds of target bonus into DSP). The vesting assumption for the PSP and DSP has been changed from last year's assumption from midpoint vesting (62.5% of maximum) to threshold vesting (25% of maximum) in order to align better with market practice.
- Maximum: fixed remuneration plus full pay-out of all incentives (i.e. 100% of salary in annual bonus, 125% of salary in PSP and 67% of salary in DSP matching shares).



Approach to recruitment remuneration

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

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

For external appointments, it may be necessary to 'buy out' an individual's awards from a previous employer. We may offer additional cash and/or share-based elements when we consider these to be in the best interests of the Company. In doing so, the Committee would ensure that any such payments have a fair value no higher than that of the awards forgone, and reflect the delivery mechanism (i.e. cash, shares and/or options), time horizons and expected value (i.e. likelihood of meeting any existing performance criteria). Replacement share awards, if used, will be granted using existing share plans. Wherever possible, any new arrangements will be tied into the achievement of Group targets in either/both the annual performance bonus and long-term incentives.

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

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

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

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

Directors' service agreements and letters of appointment

Historically we have appointed executive directors on 12 month rolling contracts. Accordingly, Gerard Ryan has a service contract terminable on this basis. In 2014, we changed our policy in relation to service agreements for newly appointed executive directors so that they are terminable upon six months' notice. Adrian Gardner was the first to be appointed on this basis. All non-executive directors are appointed for three years, subject to re-election by shareholders. The initial three-year period may be extended. The Company can terminate the appointment on three months' notice.

Our Articles of Association require that all directors retire from office if they have not retired at either of the preceding two AGMs. In any event, at the 2016 AGM, all directors will be standing for election or re-election in compliance with the UK Corporate Governance Code. Service agreements are available for inspection at the Company's registered office. Service agreements and letters of appointment are not reissued when base salaries or fees are changed. Pension arrangements for all of the executive directors have also been amended to align with the pension policy described in the remuneration table, without reissuing their service agreements.

The dates of directors' service agreements and letters of appointment are:

Executive director	Date of service agreement
Gerard Ryan	January 2012
Adrian Gardner	January 2014

Non-executive director	Date of current letter of appointment
Tony Hales	May 2013
Cathryn Riley	February 2014
Dan O'Connor	January 2015
Jayne Almond	June 2015
Richard Moat	June 2015
John Mangelaars	July 2015

Loss of office payments

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

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

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

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

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

Differences in remuneration policy for all employees

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

LTIP awards are only available to senior management and directors.

Consideration of employment conditions elsewhere in the Company

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

Consideration of shareholder views

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

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

ANNUAL REPORT ON REMUNERATION

Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for directors for the financial years ended 31 December 2014 and 2015.

	Salary/fees £'000		Benefits £'000		Bonus[1] £'000		LTIP £'000		Pension £'000		Total £'000	
Director	**2015**	2014	**2015**	2014	**2015**	2014	**2015**[2]	2014[3]	**2015**	2014	**2015**	2014
Executive directors												
Gerard Ryan	**504**	491	**25**	25	**227**	364	**352**	1,203	**89**	89	**1,197**	2,172
Adrian Gardner	**319**	319	**23**	23	**101**	167	**–**	–	**56**	56	**499**	565
David Broadbent	**331**	326	**23**	23	**83**	242	**219**	700	**63**	63	**719**	1,354
Non-executive directors												
Dan O'Connor	**152**	–	**–**	–	**–**	–	**–**	–	**–**	–	**152**	–
Christopher Rodrigues	**67**	200	**–**	–	**–**	–	**–**	–	**–**	–	**67**	200
Tony Hales[4]	**75**	75	**–**	–	**–**	–	**–**	–	**–**	–	**75**	75
Nicholas Page[5]	**66**	70	**–**	–	**–**	–	**–**	–	**–**	–	**66**	70
Jayne Almond	**29**	–	**–**	–	**–**	–	**–**	–	**–**	–	**29**	–
Edyta Kurek	**4**	55	**–**	–	**–**	–	**–**	–	**–**	–	**4**	55
John Mangelaars	**25**	–	**–**	–	**–**	–	**–**	–	**–**	–	**25**	–
Richard Moat[5]	**59**	55	**–**	–	**–**	–	**–**	–	**–**	–	**59**	55
Cathryn Riley[6]	**65**	55	**–**	–	**–**	–	**–**	–	**–**	–	**65**	55

1 Bonus payable in respect of the financial year including any deferred element at face value at date of award. Further information about how the level of 2015 award was determined is provided in the additional disclosures section below.

2 The 2015 LTIP value is based on the DSP matching awards vesting in April 2016 and the PSP awards vesting in August 2016. The awards have been valued based on estimated vesting and the 3-month average share price to 31 December 2015. Further information about the level of vesting is provided in the additional disclosures section below.

3 The 2014 LTIP value has been restated from last year to include the DSP matching award that vested in March 2015 (David Broadbent only), the CSOP award that vested in March 2015 (Gerard Ryan only) and the PSP awards that vested in March 2015 and August 2015. These awards were based on performance periods that were substantially completed in 2014. The value now excludes the DSP and LTIP awards that vested in March and July 2014. Further information about the value of awards included and the corresponding level of vesting is also provided in the additional disclosures section below.

4 Tony Hales is Senior Independent Director and also chaired the Remuneration Committee during 2015. In addition to his base fee, he was paid a fee of £20,000 per annum for this additional responsibility.

5 Nicholas Page chaired the Audit and Risk Committee until 24 September 2015, when he was succeeded by Richard Moat. In addition to their base fee, they were paid a (pro rata) fee of £15,000 per annum for this additional responsibility.

6 Cathryn Riley chaired the Transformation for Growth Committee during 2015. In addition to her base fee, she was paid a fee of £10,000 per annum for this responsibility.

Additional disclosures for single figure for total remuneration table

Base salary

As reported last year, the Chief Executive Officer's and the Chief Commercial Officer's base salaries were increased by 1% from 1 April 2015 to £505,000 and £332,168 respectively. These increases were in line with the increase to UK employees. The Chief Financial Officer's base salary remained unchanged at £319,000.

As reported on page 71, there will be no increases to the base salaries of the executive directors in 2016.

Benefits

The benefits provided to the executive directors in 2015 included: private healthcare, life assurance, annual medical, long-term disability cover and a cash allowance in lieu of a company car. None of the executive directors received total taxable benefits exceeding 8% of salary in 2015, and it is not anticipated that the cost of benefits provided will exceed this level materially over the remaining term of the remuneration policy.

Determination of 2015 annual bonus

The maximum award for the Chief Executive Officer, Chief Financial Officer and Chief Commercial Officer in 2015 was 100% of salary (80% of salary for on target performance and 20% of salary for threshold performance).

During 2015, a balanced scorecard approach was used for the annual bonus whereby 50% of the bonus was calculated on pre-tax profit and, subject always to a minimum profit threshold, the remaining 50% calculated against stretching personal performance objectives. The award for achievement of personal performance objectives is conditional upon achievement of the pre-tax profit element (i.e. the maximum achievable on the personal performance objectives cannot exceed the amount achieved under the pre-tax profit element).

Pre-tax profit objectives

Pre-tax profit targets were set taking into account the Company's operating budget, external forecasts for the sector and sell-side analysts' profit forecasts. Targets were designed to be stretching in order to drive desired behaviours and increase motivation and focus. The pre-tax profit targets (adjusted for FX) were: threshold – £108 million; on target – £115.3 million; and maximum – £118 million.

Personal objectives

Each director had individual objectives for 2015, together accounting for a maximum of 50% of the total bonus. These objectives reflected key areas of focus for the business and those relevant to each director's business area to ensure the strategic success of the Company. The table below includes examples of some of these personal objectives.

Director	Examples of personal objectives 2015
Gerard Ryan	• successful acquisition and integration of MCB Finance plc; • launch at least one new bond offer and refinancing existing non-sterling bonds; • successful new product roll-outs; • deliver the Transformation for Growth programme in a cost effective manner; and • manage regulatory change.
Adrian Gardner	• develop product profitability model and MI; • support the New Markets team with the roll-out of digital lending; • manage and challenge the strategic business case for Transformation for Growth; and • develop the finance function.
David Broadbent	• delivery of budgeted customer growth targets; • ongoing management of the Company's Transformation for Growth programme; • refinement of sales process and customer proposition; and • strengthen the sales & service function.

Over the period, profit before tax and exceptional items was £116.1 million, which ordinarily would have given rise to payment under the profit before tax measure of between target and maximum. However, in determining bonus outcomes for 2015, the Committee noted that shareholders had suffered a significant decline in the Company's share price during the year and therefore, following a recommendation from the Chief Executive Officer, exercised its discretion to determine that the formulaic bonus outcomes that would have been warranted by the profit before tax objectives should be reduced from 42.8% to 25%, with a corresponding reduction in the maximum amount that could be achieved on the personal objectives. The Committee also reviewed the performance of the Chief Executive Officer, Chief Financial Officer and Chief Commercial Officer against their agreed personal objectives for 2015. The overall impact was that the total bonus that would otherwise have been payable to the executive directors was reduced by 41.6% in each case.

After consideration, the Committee awarded bonuses to the executive directors in the amounts shown below for the year ended 31 December 2015:

	Financial objectives – achievement as a percentage of base salary	Individual objectives – achievement as a percentage of base salary	Cash bonus £000	DSP – face value of shares due to vest in 2019 £000	Total value of 2015 annual bonus	Cash and DSP shares award – as a percentage of maximum bonus available
Gerard Ryan	25%	20%	76	151	227	45.0%
Adrian Gardner	25%	6.7%	34	67	101	31.7%
David Broadbent	25%	0%	83	–	83	25.0%

For Gerard Ryan and Adrian Gardner, the bonus was payable one-third in cash, and two-thirds in deferred shares which will vest at the end of a three-year period, subject to the executive director not being dismissed for misconduct. For David Broadbent, as part of his leaver package, the entire 2015 bonus entitlement will be paid in cash. There are also provisions for clawback, with respect to both the cash and deferred elements of the bonus, to be applied for up to three years following release in the event of a restatement of the Company's Financial Statements or material misjudgement of performance.

Pension

The Company has two pension schemes, the International Personal Finance plc Pension Scheme ('the Pension Scheme') and the International Personal Finance Stakeholder Pension Scheme ('the Stakeholder Scheme'). New employees are eligible to join the Stakeholder Scheme. The rate of Company pension contribution for any executive director is 20% of base salary.

At the discretion of the Remuneration Committee, this may be paid as a cash allowance.

The Company's contributions in respect of Gerard Ryan during 2015 amounted to £89,000, all of which was paid as a cash allowance.

The Company's contributions in respect of Adrian Gardner during 2015 amounted to £56,000, all of which was paid as a cash allowance.

David Broadbent was a member of the final salary section of the Pension Scheme until 1 April 2006 when he began to accrue benefits as a member of the cash balance section. He ceased to be a member of the cash balance section on 31 July 2008 and became a deferred member of the Pension Scheme. The Company's contributions in respect of David Broadbent during 2015 amounted to £63,000, of which £23,000 was paid into pension arrangements and £40,000 was paid as a cash allowance. Details of David Broadbent's entitlements under both sections of the Pension Scheme are as follows:

Final salary

	£
Accrued pension at 31 December 2015	14,985
Accrued pension at 31 December 2014	14,807
Increase in accrued pension during the year (net of inflation)	–
Director's contributions in 2015	–

Cash balance

	£
Accrued cash balance lump sum at 31 December 2015	106,828
Accrued cash balance lump sum at 31 December 2014	105,561
Increase in cash balance lump sum during the year (net of inflation)	–
Director's contributions in 2015	–

David Broadbent was aged 47 at the end of the year. He became a deferred member of the Pension Scheme on 1 August 2008.

Notes:

1 The cash balance entitlement has been calculated in line with our current understanding of David Broadbent's accrued benefits.

2 The change in accrued pension and accrued cash balance lump sum, net of inflation, during the year reflects the fact that the relevant inflation benefit revaluation for the year uses CPI over the year to September 2014, which was 1.2%.

3 Normal retirement age is 65 for David Broadbent. Early retirement can be taken from age 55 and the accrued final salary pension will then be reduced to take account of its early payment.

4 As David Broadbent did not accrue any benefits within the Pension Scheme during the year to 31 December 2015, the value of his Pension Scheme benefits under the disclosure requirements for large and medium-sized quoted companies is zero.

Share options

Awards vesting during 2016 (included in 2015 single figure)

In light of the introduction of EPS growth and growth in revenue less impairment for long-term incentive awards made from 2013, the Committee aligned DSP performance tests with whole financial years (rather than over the 3 years from grant as was the case previously), and likewise for PSP awards from 2014. We have therefore restated the 2014 single figure to allow for comparison on a like for like basis, and included details below of PSP/DSP awards vesting in 2015 and those that will vest in 2016. The LTIP amount included in the 2015 single figure relates to the DSP and PSP awards granted in 2013. The performance achieved against the performance targets is shown below:

DSP

Performance condition	Weighting	Threshold	Maximum	Achieved	Projected vesting
Absolute TSR growth	⅓	30% TSR over 3 years	60% TSR over 3 years	28%[1]	0%
Cumulative EPS growth[2]	⅓	6% p.a.	15% p.a.	18% p.a.	100%
Growth in revenue less impairment[2]	⅓	5% p.a.	12% p.a.	10% p.a.	76%
				Total	**59%**

1 Based on TSR from 1 January 2013 to 31 December 2015.

2 Excludes impact of MCB acquisition.

PSP

Performance condition	Weighting	Threshold	Maximum	Achieved	Projected vesting
Absolute TSR growth	⅓	30% TSR over 3 years	60% TSR over 3 years	(37%)[1]	0%
Cumulative EPS growth[2]	⅓	6% p.a.	15% p.a.	18% p.a.	100%
Growth in revenue less impairment[2]	⅓	5% p.a.	12% p.a.	10% p.a.	76%
				Total	**59%**

1 Based on TSR from 1 August 2013 to 31 December 2015.

2 Excludes impact of MCB acquisition.

Awards vesting during 2015 (included in 2014 single figure)

The LTIP amount included in the 2014 single figure relates to the DSP and PSP nil-cost option awards granted in 2012. Vesting was dependent on absolute TSR performance over three years from the date of grant. In each case, the Committee was satisfied that the TSR growth was a fair reflection of performance. 50% of the vested award was released after the end of the performance period, with 50% deferred for an additional 12 months. The performance achieved against the performance targets is shown below:

Performance condition	Threshold	Maximum	Achieved		
Absolute TSR growth	30% TSR over 3 years	60% TSR over 3 years	145%[1]	97%[2]	125%[3]
	33% vests	100% vests		100% vested	

1 PSP award granted on 2 March 2012.

2 PSP award granted on 8 August 2012.

3 DSP award granted on 27 March 2012.

As disclosed in the Directors' Remuneration Policy, executive directors are expected to acquire a beneficial shareholding over time equivalent to a minimum of 200% of salary. 50% of all share awards vesting under any of the Company's equity incentive schemes (net of exercise costs, income tax and social security contributions) must be retained until the requirement is met. Executive directors' current holdings against the guideline are disclosed on page 86.

Awards granted during 2015

Awards were made in the financial year ending 31 December 2015 under the LTIP (PSP/CSOP), DSP and the SAYE Scheme. Detail of these awards is provided overleaf.

LTIP

In line with policy, executive directors were granted LTIP awards, structured as PSP and CSOP options, in March 2015. The resulting number of LTIP shares and associated performance conditions are set out below:

	Number of PSP nil-cost options[1]	Number of CSOP options[2]	Face value[3] £	Percentage of base salary	End of performance period	Threshold vesting	Weighting	Performance conditions
Gerard Ryan	144,508	–	625,000	125%	31 December 2017	25%	⅓	Absolute TSR
						25%	⅓	Cumulative EPS growth
						25%	⅓	Growth in revenue less impairment
Adrian Gardner	92,196	–	398,750	125%	31 December 2017	25%	⅓	Absolute TSR
						25%	⅓	Cumulative EPS growth
						25%	⅓	Growth in revenue less impairment
David Broadbent	94,122	929	411,099	125%	31 December 2017	25%	⅓	Absolute TSR
						25%	⅓	Cumulative EPS growth
						25%	⅓	Growth in revenue less impairment

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

2 The awards are options to acquire shares for their market value at the date of grant, being 432.2 pence per share.

3 Valued using the share price at the date of grant (2 March 2015), being 432.2 pence per share. For information, for the CSOP options, the fair value was calculated to be £8,036 for £30,000 of options and £4,018 for £15,000 of options (being 26.8% of the grant date face value) at the date of grant using the Black-Scholes model.

Performance conditions

Awards granted during 2015 will vest as follows, with straight-line vesting between the points:

	Absolute TSR	Cumulative EPS growth	Growth in revenue less impairment
Weighting	⅓	⅓	⅓
Vested at threshold	25%	25%	25%
Threshold	30% over 3 years	6% p.a.	5% p.a.
Stretch (100% vesting)	60% over 3 years	15% p.a.	12% p.a.

DSP

In 2015, two-thirds of the annual bonus earned in respect of 2014 was deferred in shares and attracted performance-based matching shares on a one-for-one basis. There are no further performance conditions attached to the vesting of the deferred shares.

The matching awards will vest only to the extent that the performance conditions are satisfied, being the same three measures as set out in the LTIP section above. The following table sets out details of awards of nil-cost options made during the year under the DSP:

			Amount vesting		
	Date of award	Face value £	Threshold performance (% of face value)	Maximum performance (% of face value)	End of performance period
Gerard Ryan	2 March 2015	Deferred: 242,689			
		Matching: 242,689	25%	100%	31 December 2017
Adrian Gardner	2 March 2015	Deferred: 111,013			
		Matching:111,013	25%	100%	31 December 2017
David Broadbent	2 March 2015	Deferred: 161,414			
		Matching: 161,414	25%	100%	31 December 2017

The face value was calculated using the average share price for the three days before the day of grant of 432.5 pence.

SAYE
As noted in the remuneration policy, UK-based executive directors are entitled to participate in the Company's approved all-employee plan. No options were granted to any of the executive directors during the course of the year.

Loss of office payments (audited information)
Edyta Kurek resigned from the Board in January 2015 and Nicholas Page retired from the Board in December 2015. Both received their usual non-executive directorship fee up to their respective leave date, but received no payments thereafter. Neither received any payment for loss of office.

Payments to past directors (audited information)
No payments to any past directors were made during 2015.

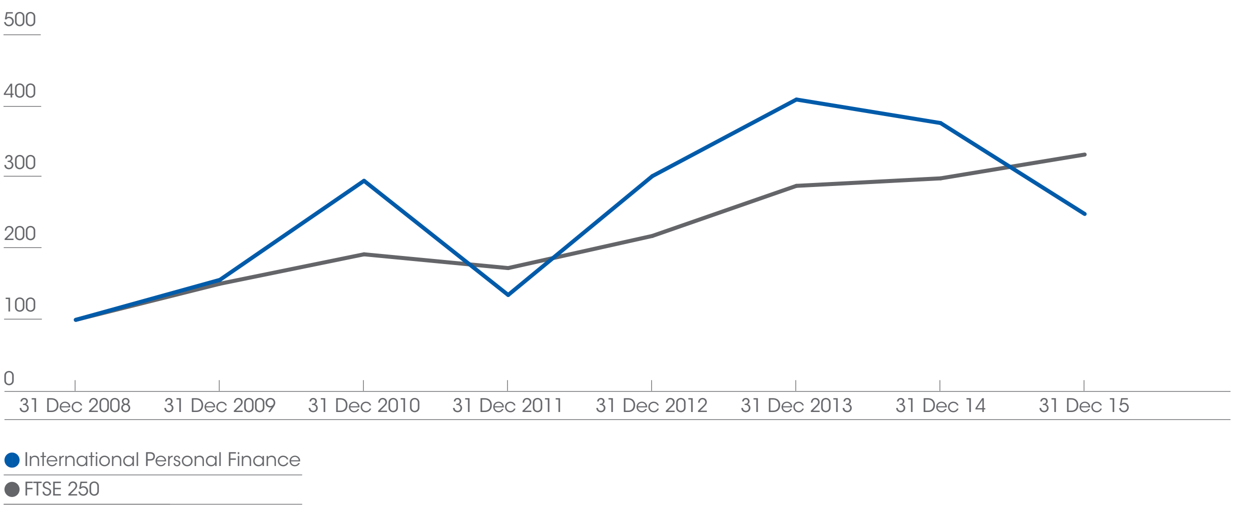
Recruitment of new non-executive directors
As disclosed in last year's report, Dan O'Connor joined the Board as a non-executive director and Chairman-elect on 2 January 2015. His initial fee of £55,000 p.a. increased to £200,000 p.a. from 30 April 2015, when he assumed the Chairman role. Jayne Almond joined the Board as a non-executive director on 23 June 2015 and John Mangelaars on 22 July 2015. Both joined on a fee of £55,000 p.a.

Percentage change in Chief Executive Officer's remuneration
The table below shows how the percentage change in the Chief Executive Officer's salary, benefits and bonus between 2014 and 2015 compared with the percentage change in the average of each of those components of pay for a group of employees. The Committee has selected the UK senior management population plus the country boards (around 98 people) for this comparison, due to the structure of the remuneration package.

	CEO		All employees
	To 31 December 2015 £'000	Percentage change (2015 vs 2014)	Percentage change (2015 vs 2014)
Salary	504	2.6%	2.2%
Benefits	25	(0.2)%	(0.7)%
Bonus	227	(37.6)%	(47.7)%

Performance graph and table
The graph below compares the TSR of the Company with the companies comprising the FTSE 250 Index for the seven-year period ended 31 December 2015. This index was chosen for comparison because the Company is still a member of this index and has been for almost all of the time since its shares were listed on 16 July 2007.

Total Shareholder Return vs FTSE 250



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

		CEO single figure of remuneration £'000	Annual bonus pay-out (as % maximum opportunity)	LTIP vesting (as % of maximum opportunity)
2015	Gerard Ryan	1,197	45%	58.8%
2014	Gerard Ryan	2,172	74.2%	100%
2013	Gerard Ryan	1,037	100%	–
2012	Gerard Ryan	889	80%	–
	John Harnett	718	–	–
2011	John Harnett	943	67%	–
2010	John Harnett	952	80%	–

Notes:

1 Gerard Ryan was appointed Chief Executive Officer on 1 April 2012. John Harnett resigned on 31 March 2012.

2 The 2014 single figure has been restated to reflect the change in LTIP performance conditions as described on page 79.

Relative spend on pay

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

£million unless otherwise stated	2015	2014	Percentage change
Overall expenditure on pay	**154.3**	167.5	(8%)[1]
Dividend paid in the year	**28.6**	22.9[2]	25%
Share buyback	**50.0**	45.4	10%

1 The percentage increase at constant exchange rates is 1.5%.

2 The figure for dividend paid in the year has been restated on the basis of final dividend paid in respect of 2013 and interim dividend for 2014. A consistent approach has been used for the 2015 figure.

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

The base salaries for the Chief Executive Officer and the Chief Financial Officer will remain unchanged for 2016 at £505,000 and £319,000 respectively.

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

There was no change in the maximum opportunity under our annual bonus plan. The performance measures remain 50% profit before tax and 50% on personal objectives, unchanged from 2015. Targets are not disclosed on a forward-looking basis because they are considered by the Board to be commercially sensitive, in particular resulting from the fact that the majority of the Company's competitors are unlisted.

It is expected that the LTIP awards granted to the Chief Executive Officer during 2013 will partially vest in 2016. There was no change in the normal and maximum PSP opportunity for executive directors and awards of up to a maximum of 125% of base salary are expected to be made in 2016. DSP matching awards in respect of the deferred element of the annual bonus are also expected to be made.

As in 2015, performance will be assessed against three equally weighted, independently measured metrics: one-third absolute TSR; one-third EPS growth; and one-third growth in revenue less impairment with threshold vesting of 25% on each. The performance ranges for PSP and DSP matching awards have yet to be confirmed. The Committee will ensure that these are set to be stretching and achievable taking into account all relevant data points including the budget, analysts forecasts, historical performance, and incentive performance ranges at the Company's comparators, and the targets will be disclosed in next year's report.

As announced on 24 February 2016, David Broadbent resigned from the Board on 23 February 2016 and will leave the Company on 7 March 2016 by reason of redundancy. Pursuant to a settlement agreement made on 23 February 2016, he will receive: a sum of £412,809, which represents 12 months' pay in lieu of notice (salary and contractual benefits (including 12 months' car allowance, life assurance contributions, permanent health insurance contributions and employer pension contributions)) paid monthly in instalments (save for part of the March 2016 employer pension contributions which will be paid directly into Mr Broadbent's personal pension plan). The payment in lieu of notice is subject to a pound for pound offset after the first six months if alternative employment (excluding one non-executive directorship) is secured during that period; in addition, he will receive £7,665 in respect of accrued but untaken holiday pay; a statutory redundancy payment of £9,025; and an annual bonus payment for 2015 of £82,836, to be paid fully in cash.

In accordance with the discretion reserved to it pursuant to the Directors' Remuneration Policy, in light of his long service and significant contribution, the Committee exercised its discretion to permit Mr Broadbent to retain share awards under the PSP, CSOP and DSP granted to him during 2013, 2014 and 2015, as referred to in the 'Executive directors' interests in the Company share options' table on page 88. The awards will vest on their respective normal vesting dates, subject to achievement of the relevant performance conditions. The number of awards which vest will be reduced on a time pro rata basis based on the number of complete months from the date of grant of each award to 7 March 2016. Mr Broadbent will receive accrued dividends on any shares that vest in accordance with the plan rules.

Mr Broadbent will remain in the Company's private medical scheme for 12 months from his leave date and will be entitled to his accrued pension and cash balance under the International Personal Finance plc Pension Scheme in accordance with the plan rules. Additionally, up to £3,000 (plus VAT) will be paid directly to Mr Broadbent's solicitors for independent legal advice provided in connection with his settlement agreement (as is a legal requirement for such agreements to be enforceable). Outplacement assistance is also offered as part of the collective redundancy exercise. Other than the amounts and benefits disclosed above, Mr Broadbent will not be eligible for any additional payments for loss of office.

Other directorships

Adrian Gardner was a non-executive director of Amdocs Limited during the 2015 financial year and was permitted to retain the fee received from this position.

Directors' shareholdings and share interests (audited information)

The interests of each person who was a director of the Company as at 31 December 2015 (together with interests held by his or her connected persons) were:

	Shares held			Options held					
	Owned outright	Unvested and subject to performance conditions	Unvested and subject to deferral only	Unvested and subject to continued employment	Vested but not yet exercisable and subject to continued employment	Vested and exercisable, but not yet exercised	Shareholding required (% salary)	Shareholding (% salary/fee)[1]	Requirement met
Executive directors[2]									
Gerard Ryan	541,294	532,959	168,883	7,777	141,296	–	200	406	Yes
Adrian Gardner	15,000	197,682	25,667	6,902	–	–	200	37	No
David Broadbent	207,989	352,346	116,619	6,902	52,729	–	200	283	Yes
Non-executive directors[3]									
Jayne Almond	41,300	–	–	–	–	–	100	217	Yes
Tony Hales	75,000	–	–	–	–	–	100	394	Yes
John Mangelaars	–	–	–	–	–	–	100	0	No
Richard Moat	15,000	–	–	–	–	–	100	79	No
Cathryn Riley	14,795	–	–	–	–	–	100	78	No
Dan O'Connor	41,500	–	–	–	–	–	100	60	No

1 Based on a share price of 289 pence, being the closing price on 31 December 2015.

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

3 Non-executive directors are expected to acquire a beneficial shareholding equivalent to 100% of their directors' fee within three years of appointment.

There were no changes to these interests between 31 December 2015 and 24 February 2016.

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

The current shareholding requirements for executive and non-executive directors are described on pages 74 to 75 and 76 respectively.

Executive directors' interests in the Company share options (audited information)

	Date of award	Awards held at 31 December 2014	Awarded in 2015	Exercised in 2015	**Awards held at 31 December 2015**	Performance condition period	Share price date of grant (p)	Exercise price (p)	Exercise period
Gerard Ryan									
PSP	2 Mar 2012	270,445	–	(135,222)	**135,223**	2 Mar 2012 – 1 Mar 2015	247	–	2 Mar 2015 – 1 Mar 2022
	1 Aug 2013	109,316	–	–	**109,316**	1 Jan 2013 – 31 Jul 2016	636	–	1 Aug 2016 – 31 Jul 2023
	4 Mar 2014	110,252	–	–	**110,252**	1 Jan 2014 – 31 Dec 2016	525	–	4 Mar 2017 – 3 Mar 2024
	2 Mar 2015	–	144,508	–	**144,508**	1 Jan 2015 – 31 Dec 2017	432	–	2 Mar 2018 – 1 Mar 2025
CSOP	2 Mar 2012	12,145	–	(6,072)	**6,073**	2 Mar 2012 – 1 Mar 2015	247	247	2 Mar 2015 – 1 Mar 2022
DSP: Deferred	8 Apr 2013	54,675	–	–	**54,675**	–	422	–	–
Matching	8 Apr 2013	54,675	–	–	**54,675**	1 Jan 2013 – 31 Dec 2015	422	–	8 Apr 2016 – 7 Apr 2023
Deferred	14 Mar 2014	58,096	–	–	**58,096**	–	528	–	–
Matching	14 Mar 2014	58,096	–	–	**58,096**	1 Jan 2014 – 31 Dec 2016	528	–	14 Mar 2017 – 13 Mar 2024
Deferred	2 Mar 2015	–	56,112	–	**56,112**	–	432	–	–
Matching	2 Mar 2015	–	56,112	–	**56,112**	1 Jan 2015 – 31 Dec 2017	432	–	2 Mar 2018 – 1 Mar 2025
SAYE	29 Mar 2012	7,777	–	–	**7,777**	–	–	198	1 Jun 2019 – 30 Nov 2019
Total		**735,477**	**256,732**	**(141,294)**	**850,915**				
Adrian Gardner									
PSP	4 Mar 2014	74,111	–	–	**74,111**	1 Jan 2014 – 31 Dec 2016	525	–	4 Mar 2017 – 3 Mar 2024
	2 Mar 2015	–	92,196	–	**92,196**	1 Jan 2015 – 31 Dec 2017	432	–	2 Mar 2018 – 1 Mar 2025
CSOP	4 Mar 2014	5,708	–	–	**5,708**	1 Jan 2014 – 31 Dec 2016	525	525	4 Mar 2017 – 3 Mar 2024
DSP: Deferred	2 Mar 2015	–	25,667	–	**25,667**	–	432	–	–
Matching	2 Mar 2015	–	25,667	–	**25,667**	1 Jan 2015 – 31 Dec 2017	432	–	2 Mar 2018 – 1 Mar 2025
SAYE	28 Aug 2014	6,902	–	–	**6,902**	–	–	439	1 Nov 2019 – 30 Apr 2020
Total		**86,721**	**143,530**	**–**	**230,251**				

Executive directors' interests in the Company share options

	Date of award	Awards held at 31 December 2014	Awarded in 2015	Exercised in 2015	**Awards held at 31 December 2015**	Performance condition period	Share price date of grant (p)	Exercise price (p)	Exercise period
David Broadbent									
PSP	29 Jul 2011	48,317	–	(48,317)	**–**	29 Jul 2011– 28 Jul 2014	320	–	29 Jul 2014 – 28 Jul 2021
	8 Aug 2012	105,457	–	(52,728)	**52,729**	8 Aug 2012 – 7 Aug 2015	293	–	8 Aug 2015 – 7 Aug 2022
	1 Aug 2013	62,755	–	–	**62,755**	1 Jan 2013 – 31 Jul 2016	636	–	1 Aug 2016 – 31 Jul 2023
	4 Mar 2014	75,067	–	–	**75,067**	1 Jan 2014 – 31 Dec 2016	525	–	4 Mar 2017 – 3 Mar 2024
	2 Mar 2015	–	94,122	–	**94,122**	1 Jan 2015 – 31 Dec 2017	432	–	2 Mar 2018 – 1 Mar 2025
CSOP	4 Mar 2014	2,854	–	–	**2,854**	1 Jan 2014 – 31 Dec 2016	525	525	4 Mar 2017 – 3 Mar 2024
	2 Mar 2015	–	929	–	**929**	1 Jan 2015 – 31 Dec 2017	432	432	2 Mar 2018 – 1 Mar 2025
DSP: Deferred	27 Mar 2012	55,656	–	(55,656)	**–**	–	257	–	–
Matching	27 Mar 2012	55,656	–	(55,656)	**–**	27 Mar 2012 – 26 Mar 2015	257	–	27 Mar 2015 – 26 Mar 2022
Deferred	8 Apr 2013	39,276	–	–	**39,276**	–	422	–	–
Matching	8 Apr 2013	39,276	–	–	**39,276**	1 Jan 2013 – 31 Dec 2015	422	–	8 Apr 2016 – 7 Apr 2023
Deferred	14 Mar 2014	40,022	–	–	**40,022**	–	528	–	–
Matching	14 Mar 2014	40,022	–	–	**40,022**	1 Jan 2014 – 31 Dec 2016	528	–	14 Mar 2017 – 13 Mar 2024
Deferred	2 Mar 2015	–	37,321	–	**37,321**	–	432	–	–
Matching	2 Mar 2015	–	37,321	–	**37,321**	1 Jan 2015 – 31 Dec 2017	432	–	2 Mar 2018 – 1 Mar 2025
SAYE	28 Aug 2014	6,902	–	–	**6,902**	–	–	439	1 Nov 2019 – 30 Apr 2020
Total		**571,260**	**169,693**	**(212,357)**	**528,596**				

The mid-market closing price of the Company's shares on 31 December 2015 was 289 pence and the range during 2015 was 504.5 pence to 289 pence.

The aggregate gains of directors arising from the exercise of options granted under the PSP, CSOP and DSP in the year totalled £1,596,176.

Shareholder context

The table below summarises voting outcomes at the 2014 and 2015 AGMs (% of total votes cast).

AGM		For	Against	Withheld
2014	Directors' Remuneration Policy	97.1%	2.9%	0.2%
2015	Annual Report on Remuneration	98.9%	1.1%	5.0%

Consideration by the directors of matters relating to directors' remuneration

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

- Tony Hales (Chair until 31 December 2015)
- Jayne Almond (from 24 September 2015)
- Richard Moat
- Nicholas Page (until 17 December 2015)
- Cathryn Riley (Chair from 1 January 2016)

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

Advisor to the Committee

Kepler Associates ("Kepler") was appointed by the Committee as its independent remuneration advisor in 2007, and its appointment was confirmed following a competitive selection process in 2010. During the year, Kepler provided independent advice on remuneration matters including incentive design, current market practice, target setting and monitoring of total shareholder return. The fees paid to Kepler in respect of advice to the Committee in 2015 (based on time and materials) totalled £20,000 (excl. VAT). Kepler also provided advice to management in connection with TSR performance updates, CSOP valuations, and all-employee share plans. The fees paid in this respect during 2015 were £10,000 (excl. VAT). Kepler is a signatory to, and abides by, the Remuneration Consultants Group Code of Conduct. Further details can be found at www.remunerationconsultantsgroup.com. Kepler's parent company, Mercer, provides unrelated work to the Company which is managed completely separately. The Committee is satisfied that the advice it receives is objective and independent and that Kepler does not have any connections with the Company that may impair its independence.

Approved by the Board on 24 February 2016.

Cathryn Riley
Chair

24 February 2016

Opinion on Financial Statements of International Personal Finance plc

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

The Financial Statements comprise the consolidated income statement, statements of comprehensive income, balance sheets, statements of changes in equity, cash flow statements, accounting policies and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within the Financial Review on page 37 of the Financial Statements and the directors' statement on the longer-term viability of the Group contained within the Strategic Report on page 43.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 43 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 38-43 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the Financial Review on page 37 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- the directors' explanation on page 43 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
Impairment of receivables Determining impairment provisions against customer receivables is judgemental, requiring an estimate to be made of the likely loss within the lending portfolios. We have identified the key risk as being the estimation of future customer default rates for customers in arrears, and hence expected future cash flows for each portfolio. In particular, there is a risk that the management information used to make this judgement is either incomplete or inaccurate, that the debt receivables are incorrectly categorised in terms of their arrears status, or that the cash forecasting curves used do not appropriately predict actual future cash flows. The risk is described further by the Audit and Risk Committee on page 54 and within the key assumptions and estimates on page 105. Please also see note 21 for further information.	We tested the operating effectiveness of controls over the provisioning process, including using IT specialists within the audit team to test the key IT controls over the systems in which the source customer receivable data is maintained. Where necessary, we also tested the completeness and accuracy of information used by management to operate key lending controls, by extraction of source data from the core lending systems and independent recalculation of the relevant information. We also involved credit risk specialists to test the process and controls for implementing new impairment curves. We evaluated the appropriateness of management's key assumptions used in the impairment calculations for customer receivables, including the estimation of customer default rates and expected future cash flows for each portfolio. This involved assessing management's tests of historical forecasting accuracy, and re-performing a sample of these tests using independent extracts of customer receivable collections data. We also challenged the appropriateness of historical data used to predict future collections performance by reference to internal and external factors affecting the business. In addition, we recalculated a sample of portfolio carrying values in accordance with the approved impairment provisioning policy and tested the accuracy of the arrears status of individual loan receivables on a sample basis to ensure the impairment provision balance recorded was accurate. We also assessed the implications of the above work on the accuracy and predictive nature of the cash forecasting curves.
Revenue recognition and calculation of the effective interest rate The recognition of revenue on loans using an effective interest rate method requires significant judgement by management to determine key assumptions, in particular the expected life of each loan and related cash flows. These cash flows include interest charges, home collection charges, and early settlement rebates. We have identified the key risks to be the appropriateness of management judgements used in the effective interest rate calculation, in particular the average lives used, and the accuracy and completeness of source data used in the calculation. The risk is described further by the Audit and Risk Committee on page 54 and within the key assumptions and estimates on page 105.	We tested the operating effectiveness of controls in relation to revenue recognition, and the mechanical accuracy of the models used to calculate the effective interest rates. This involved the recalculation of a sample of product and cohort effective interest rates based upon an extract of source data from the core lending system. We also tested the completeness and accuracy of cash flow information included within the models. We assessed the appropriateness of management's key assumptions used to calculate the effective interest rate by reference to the impact of recently observable early redemption behaviour on the average lives of loan receivables and by performing analytical procedures to assess the sensitivity of changing the average lives.

Risk	How the scope of our audit responded to the risk
Deferred tax accounting	
The recognition of deferred tax assets is judgemental as it is partly reliant upon the underlying profit forecasts of the Group. In the current year a net deferred tax asset of £73.6 million has been recognised. The measurement varies across the different markets due to temporary differences between local tax basis and local GAAP. The risk is described further by the Audit and Risk Committee on page 55 and within the key assumptions and estimates on page 105.	Utilising tax specialists within the audit team, we tested the recognition and measurement of the deferred tax assets. This involved confirming the nature of the timing differences giving rise to the assets. We also confirmed that the profit forecasts used to justify the recognition of the assets were consistent with the Board approved underlying profit forecasts of the Group, which we challenged by reference to historical forecasting accuracy and other internal sources of data.
Provisions for uncertain tax positions and regulatory matters	
As a result of enhanced supervisory powers for the local regulators and taxation authorities, and an increased focus upon product design and matters relating to the fair treatment of customers, there is an increased risk in relation to the completeness of provisions against taxation or regulatory exposures in the various jurisdictions in which the Group operates. In particular, significant judgement is required in relation to the level of provisions required against taxation exposures, and whether any provisions are required for customer remediation. The risk is described further by the Audit and Risk Committee on page 55 and within the key assumptions and estimates on page 105.	We considered the completeness of any taxation or regulatory provisions required by reference to internal and publically available external information, and determined the key assumptions and queried the appropriateness of management's judgement on these for a sample of exposures across jurisdictions. This work included considering recent regulatory and tax authority announcements, reviewing correspondence with local regulators and tax authorities to identify any potential areas where provisions could arise, reviewing the Group's complaints logs, and reviewing any significant ongoing court cases brought to our attention. In addition, we reviewed the key regulatory and taxation risks of which we became aware from the procedures we performed, met with the Group legal department and relevant management across the Group, circularised external counsel in each market where external counsel was used to evaluate any identified exposures, and reviewed relevant Board minutes to assess the completeness of relevant provisions in place. This work involved the utilisation of taxation and regulatory expertise within the audit teams in the various countries in which the Group operates.
Impairment of assets in Slovakia	
As described on page 16, recent legislative changes in Slovakia led to the Group ceasing new lending from December 2015, but continuing to collect outstanding receivable balances. The cash flow forecasts used to estimate future collections on the existing Slovakian loan portfolio have been amended by management. The assumptions used are subject to significant management judgement in that they estimate the impact of the decision to cease new lending, the resultant changes in the credit market in Slovakia of this change in law, and also how both customers and the agent population will respond in a run-off scenario. The risk is described further by the Audit and Risk Committee on page 54 and within the key assumptions and estimates on page 105.	We have challenged management's key forecast cash collection assumptions by assessing against internal collections data held by the Group, present collection trends since the decision to cease new business was taken, and external data where available. We have also assessed management's sensitivity analysis on the key assumptions. We have also assessed the legal and regulatory situation in relation to the ability for the business to continue to collect outstanding balances, by reference to advice obtained by management. We have assessed the competence, integrity and independence of the advisor.

A new significant risk relating to the impairment of assets in Slovakia has been included above. There have not been any other changes to the key risks identified since the prior year.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

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

We determined materiality for the Group to be £5.9 million (2014: £6.3 million), which is 5% (2014: 5%) of normalised pre-tax profit, and 1.8% (2014: 1.7%) of equity. Pre-tax profit has been normalised by adjusting for the £15.9 million exceptional loss as described in note 10 (2014: £23.3 million exceptional loss).The accumulation of profits is critical to an investor and in allowing the Group to invest in the business. We have therefore selected profit before tax as the benchmark for determining materiality.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.1 million (2014: £0.1million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at eight locations, all of which were subject to a full audit. Together with the Group functions in the UK, which were also subject to a full audit, these eight overseas locations represent the principal business units and account for 99.4% (2014: 99.2%) of the Group's net assets, 97.6% (2014: 99.7%) of the Group's revenue, 100% (2014: 100%) of the Group's profit before tax and 79.3% (2014: 88.0%) of the losses before tax generated by components. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the eight locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.1 million to £3.0 million (2014: £0.4 million to £2.9 million).

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

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

The key change in the scope of our work since prior year is the inclusion of two additional locations from the acquired IPF Digital business as full scope audit units, increasing the locations from six overseas locations to eight.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

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

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

Scope of the audit of the Financial Statements

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

Stephen Williams FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

24 February 2016

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December

Group	Notes	2015 Pre-exceptional items £M	2015 Exceptional items (note 10) £M	2015 £M	2014 Pre-exceptional items £M	2014 Exceptional items (note 10) £M	2014 £M
Revenue	1	**735.4**	**–**	**735.4**	783.2	–	783.2
Impairment	1	**(188.9)**	**(10.3)**	**(199.2)**	(220.0)	–	(220.0)
Revenue less impairment		**546.5**	**(10.3)**	**536.2**	563.2	–	563.2
Finance costs	2	**(41.6)**	**–**	**(41.6)**	(45.3)	(23.3)	(68.6)
Other operating costs		**(116.8)**	**–**	**(116.8)**	(120.0)	–	(120.0)
Administrative expenses		**(272.0)**	**(5.6)**	**(277.6)**	(274.4)	–	(274.4)
Total costs		**(430.4)**	**(5.6)**	**(436.0)**	(439.7)	(23.3)	(463.0)
Profit before taxation	1	**116.1**	**(15.9)**	**100.2**	123.5	(23.3)	100.2
Tax (expense)/income – UK		**(2.1)**	**0.6**	**(1.5)**	(2.2)	4.7	2.5
Tax expense – overseas		**(29.1)**	**(7.1)**	**(36.2)**	(31.1)	0.2	(30.9)
Total tax (expense)/income	5	**(31.2)**	**(6.5)**	**(37.7)**	(33.3)	4.9	(28.4)
Profit after taxation attributable to owners of the Company		**84.9**	**(22.4)**	**62.5**	90.2	(18.4)	71.8

The profit for the period is from continuing operations.

Group	Notes	2015 pence	2014 pence
Earnings per share – statutory			
Basic	6	**27.3**	30.2
Diluted	6	**26.6**	29.4

Group	Notes	2015 pence	2014 pence
Earnings per share – adjusted for exceptional items			
Basic	6	**37.1**	38.0

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 December

		Group		Company	
	Notes	2015 £M	2014 £M	2015 £M	2014 £M
Profit/(loss) after taxation attributable to owners of the Company		**62.5**	71.8	**(8.9)**	281.9
Other comprehensive (expense)/income					
Items that may subsequently be reclassified to income statement					
Exchange losses on foreign currency translations		**(23.9)**	(42.3)	**–**	–
Net fair value (losses)/gains – cash flow hedges		**(1.0)**	1.1	**0.3**	0.5
Tax credit/(charge) on items that may be reclassified	5	**0.3**	(0.2)	**–**	(0.1)
Items that will not subsequently be reclassified to income statement					
Actuarial gains/(losses) on retirement benefit obligation		**0.7**	(1.5)	**(0.8)**	(0.3)
Tax (charge)/credit on items that will not be reclassified	5	**(0.1)**	0.3	**–**	0.1
Other comprehensive (expense)/income net of taxation		**(24.0)**	(42.6)	**(0.5)**	0.2
Total comprehensive income/(expense) for the year attributable to owners of the Company		**38.5**	29.2	**(9.4)**	282.1

The accounting policies and notes 1 to 33 are an integral part of these Financial Statements.

BALANCE SHEETS
as at 31 December

		Group		Company	
	Notes	2015 £M	2014 £M	2015 £M	2014 £M
Assets					
Non-current assets					
Goodwill	11	**20.1**	–	**–**	–
Intangible assets	12	**25.6**	10.1	**–**	–
Investment in subsidiaries	13	**–**	–	**697.4**	672.1
Property, plant and equipment	14	**24.3**	28.2	**0.1**	0.2
Deferred tax assets	15	**82.2**	81.1	**0.9**	1.6
		152.2	119.4	**698.4**	673.9
Current assets					
Amounts receivable from customers:					
– due within one year		**718.9**	723.9	**–**	–
– due in more than one year		**83.5**	36.6	**–**	–
	16	**802.4**	760.5	**–**	–
Derivative financial instruments	22	**11.5**	5.8	**2.5**	0.9
Cash and cash equivalents	17	**39.9**	68.8	**0.1**	34.4
Other receivables	18	**14.8**	14.1	**552.3**	480.4
Current tax assets		**1.3**	1.6	**3.9**	6.4
		869.9	850.8	**558.8**	522.1
Total assets		**1,022.1**	970.2	**1,257.2**	1,196.0
Liabilities					
Current liabilities					
Borrowings	20	**(22.3)**	(73.7)	**(15.2)**	(34.8)
Derivative financial instruments	22	**(2.8)**	(2.7)	**(0.2)**	–
Trade and other payables	19	**(95.5)**	(95.3)	**(191.9)**	(91.2)
Current tax liabilities		**(30.9)**	(22.9)	**–**	–
		(151.5)	(194.6)	**(207.1)**	(126.0)
Non-current liabilities				**(207.3)**	
Retirement benefit obligation	25	**(0.2)**	(2.0)	**(0.2)**	(0.4)
Deferred tax liabilities	15	**(8.6)**	(7.4)	**–**	–
Borrowings	20	**(534.6)**	(404.6)	**(453.8)**	(391.4)
		(543.4)	(414.0)	**(454.0)**	(391.8)
Total liabilities		**(694.9)**	(608.6)	**(661.3)**	(517.8)
Net assets		**327.2**	361.6	**595.9**	678.2
Equity attributable to owners of the Company					
Called-up share capital	27	**23.4**	24.0	**23.4**	24.0
Other reserve		**(22.5)**	(22.5)	**226.3**	226.3
Foreign exchange reserve		**(56.4)**	(32.5)	**–**	–
Hedging reserve		**(0.3)**	0.4	**0.3**	–
Own shares		**(58.9)**	(43.1)	**(58.9)**	(43.1)
Capital redemption reserve		**2.3**	1.7	**2.3**	1.7
Retained earnings		**439.6**	433.6	**402.5**	469.5
Total equity		**327.2**	361.6	**595.9**	678.2

The accounting policies and notes 1 to 33 are an integral part of these Financial Statements.

The Financial Statements comprising the consolidated income statement, statements of comprehensive income, balance sheets, statements of changes in equity, cash flow statements, accounting policies and notes 1 to 33 were approved by the Board on 24 February 2016 and were signed on its behalf by:

Gerard Ryan
Chief Executive Officer

Adrian Gardner
Chief Financial Officer

Group – Attributable to owners of the Company	Called-up share capital £M	Other reserve £M	Foreign exchange reserve £M	Hedging reserve £M	Own shares £M	Capital redemption reserve £M	Retained earnings £M	Total equity £M
At 1 January 2014	24.0	(22.5)	9.8	(0.5)	(3.0)	1.7	384.4	393.9
Comprehensive income								
Profit after taxation for the year	–	–	–	–	–	–	71.8	71.8
Other comprehensive (expense)/income								
Exchange losses on foreign currency translation	–	–	(42.3)	–	–	–	–	(42.3)
Net fair value gains – cash flow hedges	–	–	–	1.1	–	–	–	1.1
Actuarial loss on retirement benefit obligation	–	–	–	–	–	–	(1.5)	(1.5)
Tax (charge)/credit on other comprehensive income	–	–	–	(0.2)	–	–	0.3	0.1
Total other comprehensive (expense)/income	–	–	(42.3)	0.9	–	–	(1.2)	(42.6)
Total comprehensive (expense)/income for the year	–	–	(42.3)	0.9	–	–	70.6	29.2
Transactions with owners								
Share-based payment adjustment to reserves	–	–	–	–	–	–	7.5	7.5
Deferred tax on share-based payment transactions	–	–	–	–	–	–	(0.7)	(0.7)
Own shares acquired	–	–	–	–	(45.1)	–	(0.3)	(45.4)
Shares granted from employee trust	–	–	–	–	5.0	–	(5.0)	–
Dividends paid to Company shareholders	–	–	–	–	–	–	(22.9)	(22.9)
At 31 December 2014	24.0	(22.5)	(32.5)	0.4	(43.1)	1.7	433.6	361.6
At 1 January 2015	**24.0**	**(22.5)**	**(32.5)**	**0.4**	**(43.1)**	**1.7**	**433.6**	**361.6**
Comprehensive income								
Profit after taxation for the year	**–**	**–**	**–**	**–**	**–**	**–**	**62.5**	**62.5**
Other comprehensive (expense)/income								
Exchange losses on foreign currency translation	**–**	**–**	**(23.9)**	**–**	**–**	**–**	**–**	**(23.9)**
Net fair value losses – cash flow hedges	**–**	**–**	**–**	**(1.0)**	**–**	**–**	**–**	**(1.0)**
Actuarial gain on retirement benefit obligation	**–**	**–**	**–**	**–**	**–**	**–**	**0.7**	**0.7**
Tax credit/(charge) on other comprehensive income	**–**	**–**	**–**	**0.3**	**–**	**–**	**(0.1)**	**0.2**
Total other comprehensive (expense)/income	**–**	**–**	**(23.9)**	**(0.7)**	**–**	**–**	**0.6**	**(24.0)**
Total comprehensive (expense)/income for the year	**–**	**–**	**(23.9)**	**(0.7)**	**–**	**–**	**63.1**	**38.5**
Transactions with owners								
Share-based payment adjustment to reserves	**–**	**–**	**–**	**–**	**–**	**–**	**6.2**	**6.2**
Deferred tax on share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Own shares acquired	**(0.6)**	**–**	**–**	**–**	**(28.9)**	**0.6**	**(21.3)**	**(50.2)**
Shares granted from treasury and employee trust	**–**	**–**	**–**	**–**	**13.1**	**–**	**(13.1)**	**–**
Dividends paid to Company shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(28.6)**	**(28.6)**
At 31 December 2015	**23.4**	**(22.5)**	**(56.4)**	**(0.3)**	**(58.9)**	**2.3**	**439.6**	**327.2**

Company – Attributable to owners of the Company	Called-up share capital £M	Other reserve £M	Hedging reserve £M	Own shares £M	Capital redemption reserve £M	Retained earnings £M	Total equity £M
At 1 January 2014	24.0	226.3	(0.4)	(3.0)	1.7	208.9	457.5
Comprehensive income							
Profit after taxation for the year	–	–	–	–	–	281.9	281.9
Other comprehensive (expense)/ income							
Net fair value gains – cash flow hedges	–	–	0.5	–	–	–	0.5
Actuarial loss on retirement benefit obligation	–	–	–	–	–	(0.3)	(0.3)
Tax (charge)/credit on other comprehensive income	–	–	(0.1)	–	–	0.1	–
Total other comprehensive income/(expense)	–	–	0.4	–	–	(0.2)	0.2
Total comprehensive income for the year	–	–	0.4	–	–	281.7	282.1
Transactions with owners							
Share-based payment adjustment to reserves	–	–	–	–	–	7.5	7.5
Deferred tax on share-based payment transactions	–	–	–	–	–	(0.6)	(0.6)
Own shares acquired	–	–	–	(45.1)	–	(0.3)	(45.4)
Shares granted from employee trust	–	–	–	5.0	–	(5.0)	–
Dividends paid to Company shareholders	–	–	–	–	–	(22.9)	(22.9)
At 31 December 2014	24.0	226.3	–	(43.1)	1.7	469.3	678.2
At 1 January 2015	**24.0**	**226.3**	**–**	**(43.1)**	**1.7**	**469.3**	**678.2**
Comprehensive income							
Profit/(loss) after taxation for the year	**–**	**–**	**–**	**–**	**–**	**(8.9)**	**(8.9)**
Other comprehensive income/(expense)							
Net fair value gains – cash flow hedges	**–**	**–**	**0.3**	**–**	**–**	**–**	**0.3**
Actuarial losses on retirement benefit obligation	**–**	**–**	**–**	**–**	**–**	**(0.8)**	**(0.8)**
Total other comprehensive income/(expense)	**–**	**–**	**0.3**	**–**	**–**	**(0.8)**	**(0.5)**
Total comprehensive income for the year	**–**	**–**	**0.3**	**–**	**–**	**(9.7)**	**(9.4)**
Transactions with owners							
Share-based payment adjustment to reserves	**–**	**–**	**–**	**–**	**–**	**6.2**	**6.2**
Deferred tax on share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Own shares acquired	**(0.6)**	**–**	**–**	**(28.9)**	**0.6**	**(21.3)**	**(50.2)**
Shares granted from treasury and employee trust	**–**	**–**	**–**	**13.1**	**–**	**(13.1)**	**–**
Dividends paid to Company shareholders	**–**	**–**	**–**	**–**	**–**	**(28.6)**	**(28.6)**
At 31 December 2015	**23.4**	**226.3**	**0.3**	**(58.9)**	**2.3**	**402.5**	**595.9**

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

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement. The loss after taxation of the Parent Company for the period was £8.9 million (2014: profit of £281.9 million).

The accounting policies and notes 1 to 33 are an integral part of these Financial Statements.

	Notes	Group 2015 £M	Group 2014 £M	Company 2015 £M	Company 2014 £M
Cash flows from operating activities					
Cash generated from/(used in) operating activities	28	**100.3**	121.7	**51.4**	(291.1)
Finance costs paid		**(40.9)**	(43.0)	**(35.5)**	(39.8)
Finance income received		**–**	–	**34.2**	32.9
Income tax (paid)/received		**(37.0)**	(44.8)	**3.9**	5.9
Net cash generated from/(used in) operating activities		**22.4**	33.9	**54.0**	(292.1)
Cash flows from investing activities					
Acquisition of subsidiary, net of cash and cash equivalents	30	**(21.0)**	–	**(21.0)**	–
Purchases of property, plant and equipment	14	**(8.2)**	(11.6)	**–**	–
Proceeds from sale of property, plant and equipment		**0.4**	0.3	**–**	–
Purchases of intangible assets	12	**(18.9)**	(9.3)	**–**	–
Dividends received from subsidiaries		**–**	–	**–**	300.0
Net cash (used in)/generated from investing activities		**(47.7)**	(20.6)	**(21.0)**	300.0
Net cash (used in)/generated from operating and investing activities		**(25.3)**	13.3	**33.0**	7.9
Cash flows from financing activities					
Proceeds from borrowings		**214.9**	289.3	**122.9**	264.2
Repayment of borrowings		**(138.2)**	(190.1)	**(112.1)**	(170.3)
Dividends paid to Company shareholders	7	**(28.6)**	(22.9)	**(28.6)**	(22.9)
Acquisition of own shares		**(50.2)**	(45.4)	**(50.2)**	(45.4)
Cash received on share options exercised		**0.7**	0.9	**0.7**	0.9
Net cash (used in)/generated from financing activities		**(1.4)**	31.8	**(67.3)**	26.5
Net (decrease)/increase in cash and cash equivalents		**(26.7)**	45.1	**(34.3)**	34.4
Cash and cash equivalents at beginning of year		**68.8**	24.6	**34.4**	–
Exchange losses on cash and cash equivalents		**(2.2)**	(0.9)	**–**	–
Cash and cash equivalents at end of year	17	**39.9**	68.8	**0.1**	34.4
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand	17	**39.9**	68.8	**0.1**	34.4

The accounting policies and notes 1 to 33 are an integral part of these Financial Statements.

Basis of preparation

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

The following amendment to standards is mandatory for the first time for the financial year beginning 1 January 2015 but does not have any impact on the Group:

- IFRS 10 (amendment) 'Consolidated financial statements'.

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

- IFRS 9 'Financial instruments'. This standard replaces IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and will affect the Group's accounting for its financial assets. The mandatory implementation date for this standard is 1 January 2018 however it has not yet been endorsed by the European Union. The Group is in the process of assessing IFRS 9's full impact;
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture';
- IFRS 11 (amendment) 'Accounting for acquisitions of interests in joint operations';
- IFRS 14 'Regulatory deferral accounts';
- IFRS 15 'Revenue from contracts with customers';
- Amendments to IAS 16 and IAS 38 'Clarification of acceptable methods of depreciation and amortisation';
- Amendments to IAS 16 and IAS 41 'Agriculture: bearer plants';
- IAS 27 'Equity method in separate Financial Statements;
- Annual improvements to IFRSs: 2012-2014 cycle;
- Amendments to IAS 12 'Recognition of deferred tax assets for unrealised losses';
- IFRS 16 'Leases'; and
- Amendments to IAS 1 'Disclosure initiative'.

Accounting convention

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

Going concern

The directors have, at the time of approving the Financial Statements, a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the Financial Statements. Further detail is contained in the Financial Review on page 37.

Consolidation

These Consolidated Financial Statements include the financial results of all companies which are controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. All companies are 100% owned by IPF Group companies. A list of all subsidiaries in the Group is included in note 13.

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

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

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

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

Commissions in respect of insurance products intermediated by the Group are recognised when the underlying insurance goes on-risk if no further service obligations are identified. Insurance premiums payable by the customer are capitalised as part of the customer loan receivable and accounted for on an amortised cost basis.

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

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

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

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

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

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

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

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

Financial instruments

Amounts receivable from customers

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

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

In IPF Digital receivables are assessed for impairment on a monthly basis to reflect the repayment frequency. Evidence of impairment is deemed to have been demonstrated when accounts are passed to an external debt collection agency although an incurred but not reported provision is created before this based on probability of default and loss given default factors. Impairment provisions reflect the amount and timing of cash flows through loss given default factors.

Impairment charges in respect of customer receivables are charged to the income statement.

Cash and cash equivalents

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

Derivative financial instruments

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

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

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

The Group discontinues hedge accounting when:

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

Borrowings

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

Trade payables

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

Provisions

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

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each end of reporting period date.

Goodwill is tested for impairment at least annually. Any impairment is recognised immediately in the income statement. Subsequent reversals of impairment losses for goodwill are not recognised.

Intangible assets

Intangible assets comprise computer software and customer relationships acquired on the acquisition of MCB Finance. 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. Customer relationships are stated at fair value less accumulated amortisation.

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

Investments in subsidiaries

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

Property, plant and equipment

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

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

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

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

Share capital

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

Shares held in treasury and by employee trust

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key assumptions and estimates

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

Revenue recognition

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

Amounts receivable from customers

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

In home credit, 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.

In Digital, the impairment trigger occurs when customers are passed to collections, which averages at 40 days past due.

The impairment models are reviewed regularly to take account of the current economic environment and recent customer payment performance. However, on the basis that the payment performance of customers could be different from the assumptions used in estimating future cash flows, an adjustment to the carrying value of amounts receivable from customers may be required. To the extent that the net present value of estimated cash flows differs by +/– 5%, it is estimated that amounts receivable from customers would be £40.1 million higher/lower (2014: £38.0 million).

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

Legislative changes in Slovakia have caused the Group to stop new lending in this market and collect-out its receivables portfolio. The Group has made specific judgements on the impact that this change will have on the collections from the existing receivables portfolio. To the extent that the net present value of these cash flows differs by +/- 5% it is estimated that amounts receivable from customers would be £1.2 million higher or lower.

Tax

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

1. Segment analysis

Geographical segments

Group	Revenue 2015 £M	Revenue 2014 £M	Impairment 2015 £M	Impairment 2014 £M	Profit before taxation 2015 £M	Profit before taxation 2014 £M
Home credit						
Poland-Lithuania	**267.4**	308.8	**61.3**	84.2	**69.0**	72.5
Czech-Slovakia	**106.5**	136.9	**27.7**	42.0	**19.2**	24.3
Southern Europe	**155.1**	177.2	**35.0**	44.2	**26.6**	28.9
Mexico	**175.3**	160.3	**56.0**	49.6	**21.9**	16.5
Spain	**–**	–	**–**	–	**(1.8)**	(2.0)
	704.3	783.2	**180.0**	220.0	**134.9**	140.2
Digital	**31.1**	–	**8.9**	–	**(4.2)**	(1.5)
UK costs*	**–**	–	**–**	–	**(14.6)**	(15.2)
Total – pre-exceptional items	**735.4**	783.2	**188.9**	220.0	**116.1**	123.5
Exceptional items	**–**	–	**10.3**	–	**(15.9)**	(23.3)
Total	**735.4**	783.2	**199.2**	220.0	**100.2**	100.2

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

Group	Segment assets 2015 £M	Segment assets 2014 £M	Segment liabilities 2015 £M	Segment liabilities 2014 £M
Home credit				
Poland-Lithuania	**356.3**	320.0	**155.0**	135.6
Czech-Slovakia	**135.4**	176.0	**113.6**	121.7
Southern Europe	**200.8**	192.8	**117.9**	97.2
Mexico	**200.5**	183.3	**146.1**	134.7
Spain	**–**	1.1	**–**	1.7
	893.0	873.2	**532.6**	490.9
Digital	**91.6**	2.0	**59.1**	0.3
UK	**37.5**	95.0	**103.2**	117.4
Total	**1,022.1**	970.2	**694.9**	608.6

Group	Capital expenditure 2015 £M	Capital expenditure 2014 £M	Depreciation 2015 £M	Depreciation 2014 £M
Home credit				
Poland-Lithuania	**1.9**	2.9	**1.4**	1.4
Czech-Slovakia	**0.9**	1.4	**1.7**	1.2
Southern Europe	**2.6**	1.8	**1.6**	2.3
Mexico	**2.1**	3.1	**1.5**	1.1
Spain	**0.1**	0.2	**–**	–
	7.6	9.4	**6.2**	6.0
Digital	**0.3**	–	**0.1**	–
UK	**0.3**	2.2	**4.3**	4.3
Total	**8.2**	11.6	**10.6**	10.3

All revenue comprises amounts earned on amounts receivable from customers.

The Group is domiciled in the UK and no revenue is generated in the UK. Total revenue from external customers is £735.4 million (2014: £783.2 million) and the breakdown by geographical area is disclosed above.

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £27.3 million (2014: £21.7 million), and the total of non-current assets located in other countries is £42.7 million (2014: £16.6 million).

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

Expenditure on intangible assets of £17.4 million (2014: £9.3 million) and amortisation of £3.3 million (2014: £1.0 million) relates to the UK, and expenditure of £1.2 million (2014: £nil) and amortisation of £1.5 million (2014: £nil) relates to our digital business line.

1. Segment analysis continued

The segments shown above are the segments for which management information is presented to the Board which is deemed to be the Group's chief operating decision maker. Following the acquisition of MCB and the launch of hapiloans in Poland, the Board undertook a review of the operating segments used to assess the Group's performance going forward. We now report by business line – home credit and digital; and by geographic region within the home credit business – Poland-Lithuania; Czech-Slovakia; Southern Europe (Hungary, Romania and Bulgaria); and Mexico. Spain is also reported separately following our decision to lead our market entry with a digital offering as reported earlier in 2015.

Following the integration of hapiloans into the Digital business line, 2014 reported numbers have been restated.

2. Finance costs

Group	2015 £M	2014 £M
Interest payable on borrowings – pre-exceptional	**41.6**	45.3
Exceptional charge (note 10)	**–**	23.3
Interest payable on borrowings – post-exceptional	**41.6**	68.6

3. Profit before taxation

Profit before taxation is stated after charging:

Group	2015 £M	2014 £M
Depreciation of property, plant and equipment (note 14)	**10.6**	10.3
Loss on disposal of property, plant and equipment	**–**	0.1
Impairment of intangible assets	**4.6**	–
Amortisation of intangible assets (note 12)	**4.8**	1.0
Operating lease rentals:		
– property	**12.1**	10.0
– equipment	**8.7**	8.9
Employee costs (note 9)	**154.3**	167.5

4. Auditor's remuneration

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

Group	2015 £M	2014 £M
Fees payable to the Company auditor for the audit of the Parent Company and Consolidated Financial Statements	**0.1**	0.1
Fees payable to the Company auditor and its associates for other services:		
– audit of Company's subsidiaries pursuant to legislation	**0.5**	0.4
– other assurance services	**0.1**	0.1

Further details on auditor remuneration can be found in the Audit and Risk Committee Report on page 56.

5. Tax expense

Group	2015 £M	2014 £M
Current tax expense/(income)		
– current year	**49.6**	45.8
– prior year	**(4.7)**	(2.2)
	44.9	43.6
Deferred tax (income)/expense (note 15)		
– current year	**(9.6)**	(19.5)
– prior year	**2.4**	4.3
	(7.2)	(15.2)
Tax expense	**37.7**	28.4

5. Tax expense continued

Group	2015 £M	2014 £M
Tax charge on other comprehensive income		
Deferred tax (credit)/charge on net fair value losses/gains – cash flow hedges	**(0.4)**	0.1
Deferred tax charge/(credit) on actuarial gains/losses on retirement benefit obligation	**0.1**	(0.3)
Current tax charge on net fair value losses/gains – cash flow hedges	**0.1**	0.1
	(0.2)	(0.1)

The rate of tax expense on the profit before taxation for the year ended 31 December 2015 is higher than (2014: higher than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained as follows:

Group	2015 £M	2014 £M
Profit before taxation	**100.2**	100.2
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	**20.3**	21.5
Effects of:		
– adjustment in respect of prior years	**(2.2)**	2.2
– adjustment in respect of foreign tax rates	**3.7**	2.7
– expenses not deductible for tax purposes	**6.4**	1.9
– change in unrecognised deferred tax assets	**10.3**	–
– impact of rate change on deferred tax asset/liability	**(0.8)**	0.1
Total tax expense	**37.7**	28.4

The Group is currently subject to a tax audit with respect to Provident Polska s.a. for the years 2008 and 2009. With respect to 2008, a protocol was issued in July 2013 by the Polish tax authority, and subsequently a decision was issued by the lower chamber of the fiscal authorities during 2014. The decision sought to challenge the timing of taxation of revenues and the tax effect of certain intra-group transactions. On appeal the decision was rejected and cancelled by the upper chamber. A revised decision is awaited. A protocol was issued with respect to 2009 in October 2015, raising similar challenges to those in the original 2008 decision. The Company has issued its reservations to the protocol and a decision is awaited.

6. Earnings per share

Basic earnings per share ('EPS') from continuing operations is calculated by dividing the earnings attributable to shareholders of £62.5 million (2014: £71.8 million) by the weighted average number of shares in issue during the period of 229.1 million (2014: 237.6 million) which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust.

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

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

Group	2015 M	2014 M
Used in basic EPS calculation	**229.1**	237.6
Dilutive effect of awards	**6.3**	6.8
Used in diluted EPS calculation	**235.4**	244.4

Basic and diluted EPS are presented below:

Group	2015 pence	2014 pence
Basic EPS	**27.3**	30.2
Dilutive effect of awards	**(0.7)**	(0.8)
Diluted EPS	**26.6**	29.4

The adjusted earnings per share, of 37.1 pence (2014: 38.0 pence), shown in the financial highlights of this report has been presented before exceptional items, in order to better present the underlying performance of the Group.

7. Dividends

Group and Company	2015 £M	2014 £M
Interim dividend of 4.6 pence per share (2014: interim dividend of 4.2 pence per share)	**10.6**	9.8
Final 2014 dividend of 7.8 pence per share (2014: final 2013 dividend of 5.5 pence per share)	**18.0**	13.1
	28.6	22.9

The directors are recommending a final dividend in respect of the financial year ended 31 December 2015 of 7.8 pence per share which will amount to a full year dividend payment of £27.7 million. If approved by the shareholders at the annual general meeting ('AGM'), this dividend will be paid on 13 May 2016 to shareholders who are on the register of members at 8 April 2016. This dividend is not reflected as a liability in the balance sheet as at 31 December 2015 as it is subject to shareholder approval.

8. Remuneration of key management personnel

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

	2015 £M	2014 £M
Short-term employee benefits	**4.1**	4.6
Post-employment benefits	**0.1**	0.2
Share-based payments	**2.7**	2.4
Total	**6.9**	7.2

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

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

For gains arising on executive directors' share options see page 88.

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

9. Employee information

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

Group	2015 Number	2014 Number
Full-time*	**7,284**	7,109
Part-time**	**3,003**	3,382
	10,287	10,491

* Includes 283 agents in Hungary (2014: 197).
** Includes 2,324 agents in Hungary (2014: 2,625).

Agents are self-employed other than in Hungary where they are required by legislation to be employed. To comply with legislation, our agent force in Romania became employees from the end of 2015 – these agents will be included within the average employee number for 2016.

The average number of employees by category was as follows:

Group	2015 Number	2014 Number
Operations	**5,952**	6,201
Administration	**1,071**	1,129
Head office and security	**3,264**	3,161
	10,287	10,491

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

Group	2015 £M	2014 £M
Gross wages and salaries	**125.0**	133.4
Social security costs	**24.1**	28.2
Pension charge – defined contribution schemes (note 25)	**1.1**	1.0
Share-based payment charge (note 26)	**4.1**	4.9
Total	**154.3**	167.5

10. Exceptional items

Group	2015 £M	2014 £M
Exceptional charge	**(15.9)**	(23.3)
Tax (charge)/credit	**(6.5)**	4.9
Post-tax exceptional charge	**(22.4)**	(18.4)

The income statement includes an exceptional loss of £22.4 million which comprises pre-tax exceptional loss of £15.9 million and an exceptional tax charge of £6.5 million.

The exceptional loss includes £18.6 million in respect of the change in Slovak rate cap legislation in December 2015, following which a decision was made to wind-down our home credit operations in Slovakia. It comprises an £11.2 million charge against profit before tax and the write-off of a deferred tax asset of £7.4 million that we no longer expect to be realised. The pre-tax loss comprises a provision taken against the carrying value of the receivables book based on our best estimate of the value and timing of collections of £10.3 million and £0.9 million from the write down of fixed assets.

We also reported an exceptional cost of £4.7 million in our half year results, which comprised £2.5 million in respect of MCB Finance integration costs (principally a write-down of IT assets) and Spain home credit closure costs of £2.2 million (principally contractual obligations and IT write-offs). There is a corresponding tax credit of £0.9 million relating to these two items.

(2014: Profit before taxation includes an exceptional loss of £23.3 million. This comprised £22.6 million incurred on the buyback of €190.2 million (£152.5 million at 30 June 2014) of existing 11.5% Eurobonds due 2015, and £0.7 million of unamortised arrangement fees incurred following the refinancing of £100 million of bank facilities due to mature in early 2015).

11. Goodwill

Group	2015 £M	2014 £M
Net book value		
At 1 January	**–**	–
Acquisition of subsidiary (note 30)	**20.4**	–
Exchange adjustments	**(0.3)**	–
At 31 December	**20.1**	–

12. Intangible assets

Group	2015 £M	2014 £M
Net book value		
At 1 January	**10.1**	1.8
Acquisition of subsidiary (note 30)	**6.0**	–
Additions	**18.9**	9.3
Impairment	**(4.6)**	–
Amortisation	**(4.8)**	(1.0)
At 31 December	**25.6**	10.1
Analysed as:		
– cost	**56.9**	35.7
– amortisation	**(31.3)**	(25.6)
At 31 December	**25.6**	10.1

Intangible assets comprise computer software and customer relationships acquired on the acquisition of MCB Finance.

The impairment of intangibles relates to a write down of computer software in respect of MCB Finance and Spain home credit.

The Company has no intangible assets.

13. Investment in subsidiaries

Company	2015 £M	2014 £M
Investment in subsidiaries	**663.6**	663.6
Share-based payment adjustment	**10.6**	8.5
Investment in MCB Finance (see note 30)	**23.2**	–
	697.4	672.1

IPF plc acquired the international businesses of the Provident Financial plc Group on 16 July 2007 by issuing one IPF plc share to the shareholders of Provident Financial plc for each Provident Financial plc share held by them. The fair value of the consideration issued in exchange for the investment in these international businesses was £663.6 million and this amount was therefore capitalised as a cost of investment. £10.6 million (2014: £8.5 million) has been added to the cost of investment representing the fair value of the share-based payment awards over IPF plc shares made to employees of subsidiary companies of IPF plc. The corresponding credit has been taken to reserves.

On 6 February 2015 the Group acquired 100% of the issued share capital of MCB Finance Group plc ('MCB'), a profitable digital consumer finance provider established in 2006, for a cash consideration of £23.2 million. See note 30 for further details.

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

Subsidiary company	Country of incorporation and operation	Principal activity
IPF Holdings Limited	United Kingdom	Holding company
International Personal Finance Investments Limited	United Kingdom	Holding company
IPF International Limited	United Kingdom	Provision of services
IPF Financing Limited	United Kingdom	Provision of services
Provident Polska S.A.	Poland	Home credit
IPF Investments Polska Sp. z o.o.	Poland	Provision of services
Provident Financial s.r.o.	Czech Republic	Home credit
Provident Financial s.r.o.	Slovakia	Home credit
Provident Financial Zrt.	Hungary	Home credit
Provident Mexico S.A. de C.V.	Mexico	Home credit
Provident Financial Romania IFN S.A.	Romania	Home credit
Provident Financial Bulgaria OOD	Bulgaria	Home credit
IPF Management	Ireland	Provision of services
PF (Netherlands) B.V.	Netherlands	Provision of services
Provident Servicios S.A. de C.V.	Mexico	Provision of services
Provident Servicios de Agencia S.A. de C.V.	Mexico	Provision of services
IPF Development (2003) Limited	United Kingdom	Provision of services
IPF Digital AS	Estonia	Provision of services
IPF Digital Australia Pty Limited	Australia	Digital credit
IPF Digital Estonia OÜ	Estonia	Digital credit
IPF Digital Finland Oy	Finland	Digital credit
IPF Digital Latvia, SIA	Latvia	Digital credit
IPF Digital Lietuva, UAB	Lithuania	Digital credit
IPF Financial Services Limited	United Kingdom	Provision of services
IPF Guernsey Limited	Guernsey	Dormant
IPF Guernsey (2) Limited	Guernsey	Dormant
IPF Polska SP. Z o.o.	Poland	Digital credit
IPF Slovensko s.r.o.	Slovakia	Non-trading
MCB Finance Group Limited	United Kingdom	Holding company
MCB Treasury AB	Sweden	Former intragroup financing company
OOO IPF Bank	Russian Federation	In Liquidation
Provident Personal Loans (Thailand) Limited	Thailand	Non-trading
Provident Polska Sp. Z o.o.	Poland	Non-trading
Sving Finance, UAB	Lithuania	Digital credit
IPF Ceská republica s.r.o	Czech Republic	Non-trading
International Personal Finance Digital Spain S.A.U.	Spain	Digital credit

13. Investment in subsidiaries continued

The trading operation of our Lithuanian Home Credit business is carried out through a branch of Provident Polska S.A. and consequently there is no separate subsidiary company for these operations.

14. Property, plant and equipment

Equipment and vehicles, fixtures and fittings:

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Cost				
At 1 January	**85.6**	84.6	**0.9**	0.9
Exchange adjustments	**(2.9)**	(4.6)	**–**	–
Acquisition of subsidiary (note 30)	**0.2**	–	**–**	–
Additions	**8.2**	11.6	**–**	–
Disposals	**(4.1)**	(6.0)	**–**	–
At 31 December	**87.0**	85.6	**0.9**	0.9
Depreciation				
At 1 January	**57.4**	55.8	**0.7**	0.6
Exchange adjustments	**(1.7)**	(3.1)	**–**	–
Acquisition of subsidiary (note 30)	**0.1**	–	**–**	–
Charge to the income statement	**10.6**	10.3	**0.1**	0.1
Disposals	**(3.7)**	(5.6)	**–**	–
At 31 December	**62.7**	57.4	**0.8**	0.7
Net book value at 31 December	**24.3**	28.2	**0.1**	0.2

15. 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	
	2015 £M	2014 £M	**2015 £M**	2014 £M
At 1 January	**73.7**	65.2	**1.6**	1.8
Exchange adjustments	**(5.7)**	(6.2)	**–**	–
Acquisition of subsidiary (note 30)	**(1.6)**	–	**–**	–
Tax credit/(charge) to the income statement	**7.2**	15.2	**(0.4)**	0.3
Tax credit on other comprehensive income	**0.3**	0.2	**–**	0.1
Tax charge on items taken directly to equity	**(0.3)**	(0.7)	**(0.3)**	(0.6)
At 31 December	**73.6**	73.7	**0.9**	1.6

The Finance (No. 2) Act 2015, which was substantively enacted on 26 October 2015, included provisions to reduce the UK corporation tax rate to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. The impact of these rate changes has been applied to the calculation of deferred tax assets and liabilities at 31 December 2015.

15. Deferred tax continued

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

An analysis of the deferred tax assets and liabilities is set out below:

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Deferred tax assets	**82.2**	81.1	**0.9**	1.6
Deferred tax liabilities	**(8.6)**	(7.4)	**–**	–
At 31 December	**73.6**	73.7	**0.9**	1.6

	Group				Company		
	Losses £M	Revenue and impairment differences £M	Other temporary differences £M	Total £M	Retirement benefit obligations £M	Other temporary differences £M	Total £M
At 1 January 2014	13.2	44.6	7.4	65.2	–	1.8	1.8
Exchange adjustments	(1.2)	(4.4)	(0.6)	(6.2)	–	–	–
Tax (charge)/credit to the income statement	(3.4)	16.5	2.1	15.2	–	0.3	0.3
Tax credit on other comprehensive income	–	–	0.2	0.2	0.1	–	0.1
Tax charge on items taken directly to equity	–	–	(0.7)	(0.7)	–	(0.6)	(0.6)
At 31 December 2014	8.6	56.7	8.4	73.7	0.1	1.5	1.6
At 1 January 2015	**8.6**	**56.7**	**8.4**	**73.7**	**0.1**	**1.5**	**1.6**
Exchange adjustments	**(0.5)**	**(4.9)**	**(0.3)**	**(5.7)**	**–**	**–**	**–**
Acquisition of subsidiary (note 30)	**0.6**	**0.4**	**(2.6)**	**(1.6)**	**–**	**–**	**–**
Tax credit/(charge) to the income statement	**0.6**	**8.6**	**(2.0)**	**7.2**	**(0.1)**	**(0.3)**	**(0.4)**
Tax credit on other comprehensive income	**–**	**–**	**0.3**	**0.3**	**–**	**–**	**–**
Tax charge on items taken directly to equity	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**	**(0.3)**
At 31 December 2015	**9.3**	**60.8**	**3.5**	**73.6**	**–**	**0.9**	**0.9**

Deferred tax assets have been recognised in respect of tax losses and other temporary timing differences (principally relating to recognition of revenue and impairment) to the extent that it is probable that these assets will be utilised against future taxable profits.

At 31 December 2015, the Group has unused tax losses of £59.9 million (2014: £42.5 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £50.4 million (2014: £42.5 million) of these losses. No deferred tax has been recognised in respect of the remaining £9.5 million (2014: £nil) as it is not considered probable that there will be future taxable profits available against which these losses can be offset.

The write-off of the £7.4 million Slovak deferred tax balance has been changed to the income statement within the £7.2 million credit in the above table.

16. Amounts receivable from customers

Group	**2015 £M**	2014 £M
Amounts receivable from customers comprise:		
– amounts due within one year	**718.9**	723.9
– amounts due in more than one year	**83.5**	36.6
	802.4	760.5

16. Amounts receivable from customers continued

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

Group	2015 £M	2014 £M
Polish zloty	**300.1**	293.3
Czech crown	**85.0**	100.3
Euro	**87.6**	51.9
Hungarian forint	**107.5**	109.5
Mexican peso	**147.4**	132.5
Romanian leu	**67.3**	68.4
Lithuanian litas	**–**	2.3
Bulgarian lev	**5.7**	2.3
Australian dollar	**1.8**	–
	802.4	760.5

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 115% (2014: 121%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 6.3 months (2014: 5.6 months).

No collateral is held in respect of any customer receivables. Home credit 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. Digital holds an impaired but not reported provision for receivables which have not yet been passed to a third-party collection agency.

Revenue recognised on amounts receivable from customers which have been impaired was £425.8 million (2014: £458.6 million).

Management monitor credit quality using two key metrics: impairment as a percentage of revenue and gross cash loss ('GCL') development. Commentary on impairment as a percentage of revenue is set out in the operational review at both Group and market level. GCL represents the expected total value of contractual cash flows that will not be collected and will ultimately be written off for any loan or group of loans. Until collections on any group of receivables are complete, the GCL forecast is a composite of actual and expected cash flows. This represents a leading edge measure of credit quality with forecasts based on the actual performance of previous lending. At 31 December 2015 our preliminary GCL forecast for home credit for 2016 was 13.9%; the outturn for 2014 lending as at 31 December 2015 was 14.5%. At 31 December 2015 our preliminary GCL forecast for digital was 6.5%.

The Company has no amounts receivable from customers.

17. Cash and cash equivalents

	Group		Company	
	2015 £M	2014 £M	2015 £M	2014 £M
Cash at bank and in hand	**39.9**	68.8	**0.1**	34.4

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

	Group		Company	
	2015 £M	2014 £M	2015 £M	2014 £M
Sterling	**–**	26.6	**–**	26.6
Polish zloty	**9.0**	9.1	**–**	–
Czech crown	**6.4**	4.4	**–**	0.1
Euro	**9.7**	14.7	**0.1**	7.7
Hungarian forint	**3.7**	2.6	**–**	–
Mexican peso	**7.0**	6.1	**–**	–
Romanian leu	**3.0**	3.7	**–**	–
Lithuanian litas	**–**	0.7	**–**	–
Bulgarian lev	**1.1**	0.9	**–**	–
Total	**39.9**	68.8	**0.1**	34.4

18. Other receivables

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Other receivables	**6.3**	3.0	**0.1**	–
Prepayments	**8.5**	11.1	**1.1**	0.9
Amounts due from Group undertakings	**–**	–	**551.1**	479.5
Total	**14.8**	14.1	**552.3**	480.4

No balance within other receivables is impaired.

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

19. Trade and other payables

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Trade payables	**7.8**	7.7	**–**	0.1
Other payables including taxation and social security	**34.4**	29.9	**0.7**	0.2
Accruals	**53.3**	57.7	**19.7**	20.5
Amounts due to Group undertakings	**–**	–	**171.5**	70.4
Total	**95.5**	95.3	**191.9.9**	91.2

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

20. Borrowing facilities and borrowings

The Group and Company's borrowings are as follows:

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Borrowings				
Bank borrowings	**56.1**	15.9	**2.6**	–
Bonds	**500.8**	462.4	**466.4**	426.2
Total	**556.9**	478.3	**469.0**	426.2

The Group's external bonds comprise the following:

Bond	Coupon %	Maturity date	**2015 £M**
€300 million EMTN	5.750	2021	**221.2**
€100 million EMTN	5.750	2021	**73.7**
€40 million EMTN	4.250	2018	**29.5**
£101.5 million retail bond	6.125	2020	**101.5**
Polish zloty 200.0 million PMTN	Six month WIBOR plus 425 basis points	2020	**34.6**
Romanian lei 60.5 million EMTN	8.100	2016	**9.9**
Romanian lei 65.5 million EMTN	7.000	2018	**10.7**
Hungarian forint 4.0 billion EMTN	11.000	2018	**9.3**
Czech crown 200.0 million EMTN	5.500	2018	**5.5**
Czech crown 250.0 million EMTN	5.250	2018	**6.8**
Czech crown 100.0 million EMTN	9.000	2016	**2.7**
			505.4
Less: unamortised arrangement fees			**(4.6)**
			500.8

The Polish zloty 200 million (£34.6 million) bonds are floating rate bonds, although derivative contracts have been used to fix borrowing costs up to June 2020. All of the external bank borrowings of the Group are at floating rates.

20. Borrowing facilities and borrowings continued

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

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Borrowings				
Repayable:				
– in less than one year	**22.3**	73.7	**15.2**	34.8
– between one and two years	**28.7**	14.1	**–**	13.3
– between two and five years	**214.0**	59.5	**161.9**	47.1
– greater than five years	**291.9**	331.0	**291.9**	331.0
Total	**556.9**	478.3	**469.0**	426.2

The average period to maturity of the Group's external bonds and committed external borrowing facilities is 4.0 years (2014: 4.1 years).

The currency exposure on external borrowings is as follows:

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Sterling	**103.2**	100.4	**103.2**	100.4
Polish zloty	**38.2**	37.6	**–**	–
Czech crown	**17.5**	17.5	**14.8**	17.5
Euro	**329.5**	289.8	**321.3**	288.3
Hungarian forint	**16.7**	12.7	**9.1**	9.5
Mexican peso	**31.2**	9.8	**–**	–
Romanian leu	**20.6**	10.5	**20.6**	10.5
Total	**556.9**	478.3	**469.0**	426.2

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

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Bond and bank facilities available				
Repayable:				
– on demand	**13.6**	14.0	**5.0**	5.0
– in less than one year	**32.0**	88.0	**12.6**	34.9
– between one and two years	**60.7**	42.1	**–**	13.3
– between two and five years	**288.7**	171.4	**174.2**	75.7
– greater than five years	**294.9**	334.6	**294.9**	334.6
Total	**689.9**	650.1	**486.7**	463.5

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

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Expiring within one year	**23.3**	28.3	**2.4**	5.1
Expiring between one and two years	**32.0**	28.0	**–**	–
Expiring in more than two years	**77.7**	115.5	**15.3**	32.2
Total	**133.0**	171.8	**17.7**	37.3

21. Risks arising from financial instruments

Risk management

Treasury related risks

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

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

Liquidity risk

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The short-term nature of the Group's business means that the majority of amounts receivable from customers are receivable within 12 months with an average period to maturity of around six months. The risk of not having sufficient liquid resources is therefore low. The treasury policy adopted by the Group serves to reduce this risk further by setting a specific policy parameter that there are sufficient committed debt facilities to cover forecast borrowings plus operational headroom plus appropriate stress-testing for the next 18 months on a rolling basis. Further, the aim is to ensure that there is a balanced refinancing profile with phased maturity dates; that there is diversification of debt funding sources; that there is no over-reliance on a single or small group of lenders; and that debt facilities and hedging capacity are sufficient for the currency requirements of each country. At 31 December 2015, the Group's bonds and committed borrowing facilities had an average period to maturity of 4.0 years (2014: 4.1 years).

As shown in note 20, total undrawn facilities as at 31 December 2015 were £133.0 million (2014: £171.8 million).

A maturity analysis of gross borrowings included in the balance sheet is presented in note 20. A maturity analysis of bonds, bank borrowings and overdrafts outstanding at the balance sheet date by non-discounted contractual cash flow, including expected interest payments, is shown below:

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Not later than six months	**16.2**	53.1	**13.8**	13.4
Later than six months and not later than one year	**38.3**	48.5	**28.9**	47.0
Later than one year and not later than two years	**59.4**	38.2	**26.6**	36.4
Later than two years and not later than five years	**288.0**	122.8	**230.0**	109.8
Later than five years	**299.4**	353.6	**299.4**	353.6
	701.3	616.2	**598.7**	560.2

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

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

	2015		2014	
Group	**Outflow £M**	**Inflow £M**	Outflow £M	Inflow £M
Not later than one month	**104.8**	**106.2**	105.5	105.0
Later than one month and not later than six months	**132.3**	**134.4**	104.2	103.9
Later than six months and not later than one year	**81.4**	**80.3**	94.6	95.2
Later than one year and not later than two years	**56.9**	**56.6**	60.1	59.3
Later than two years and not later than five years	**24.3**	**25.8**	15.9	15.9
	399.7	**403.3**	380.3	379.3

21. Risks arising from financial instruments continued

Company	2015 Outflow £M	2015 Inflow £M	2014 Outflow £M	2014 Inflow £M
Not later than one month	**2.1**	**1.8**	0.3	0.3
Later than one month and not later than six months	**26.2**	**26.1**	2.1	1.9
Later than six months and not later than one year	**1.3**	**1.2**	1.6	1.3
Later than one year and not later than two years	**1.3**	**0.9**	1.4	1.0
Later than two years and not later than five years	**13.1**	**15.0**	15.8	15.9
	44.0	**45.0**	21.2	20.4

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

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

Group	Receivables £M	Percentage of total %	Borrowing facilities £M	Percentage of total %
2014				
Less than one year	723.9	95.2	102.0	15.7
Later than one year	36.6	4.8	548.1	84.3
	760.5	100.0	650.1	100.0
2015				
Less than one year	**718.9**	**89.6**	**45.6**	**6.6**
Later than one year	**83.5**	**10.4**	**644.3**	**93.4**
	802.4	**100.0**	**689.9**	**100.0**

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

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

Interest rate risk
The Group has an exposure to interest rate risk arising on changes in interest rates in each of its countries of operation and, therefore, seeks to limit this net exposure. This is achieved by the use of techniques to fix interest costs, including fixed rate funding (predominantly longer-term bond funding); forward currency contracts used for non-functional currency funding; bank borrowing loan draw-down periods; and interest rate hedging instruments. These techniques are used to hedge the interest costs on a proportion of borrowings over a certain period of time, up to seven years, although most hedging is for up to two years.

Interest costs are a relatively low proportion of the Group's revenue (5.7% in 2015; 5.8% in 2014) and therefore the risk of a material impact on profitability arising from a change in interest rates is low. If interest rates across all markets increased by 200 basis points this would have the following impact:

Group	2015 £M	2014 £M
Increase in fair value of derivatives taken to equity	**3.2**	0.3
Reduction in profit before taxation	**0.6**	0.2

This sensitivity analysis is based on the following assumptions:

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

Currency risk
The Group is subject to three types of currency risk: net asset exposure; cash flow exposure; and income statement exposure.

21. Risks arising from financial instruments continued

Net asset exposure

The majority of the Group's net assets are denominated in currencies other than sterling. The balance sheet is reported in sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have a material impact on the net assets of the Group. The impact in 2015 is a decrease in net assets of £23.9 million (2014: decrease of £42.3 million). The Group aims to minimise the value of net assets denominated in each foreign currency by funding overseas receivables with borrowings in local currency, where possible.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are expected to arise in the following 12 months. Where forward foreign exchange contracts have been entered into, they are designated as cash flow hedges on specific future transactions.

Income statement exposure

As with net assets, the majority of the Group's profit is denominated in currencies other than sterling but translated into sterling for reporting purposes. The result for the period is translated into sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rates in the countries in which the Group operates will have a material impact on the consolidated result for the period.

The following sensitivity analysis demonstrates the impact on equity of a 5% strengthening or weakening of sterling against all exchange rates for the countries in which the Group operates:

Group	**2015 £M**	2014 £M
Change in reserves	**6.1**	6.0
Change in profit before taxation	**8.1**	8.0

This sensitivity analysis is based on the following assumptions:

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

Counterparty risk

The Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks; and foreign currency and derivative financial instruments.

The Group only deposits cash, and only undertakes currency and derivative transactions, generally with highly rated banks and sets strict limits in respect of the amount of exposure to any one institution. Institutions with lower credit ratings can only be used with Board approval.

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

Group	**2015 £M**	2014 £M
Cash and cash equivalents	**39.9**	68.8
Derivative financial assets	**11.5**	5.8
Total	**51.4**	74.6

The table above represents a worst case scenario of the counterparty risk that the Group is exposed to at the year end. An analysis of the cash and cash equivalents by geographical segment is presented in note 17.

Cash and cash equivalents and derivative financial instruments are neither past due nor impaired. Credit quality of these assets is good and the cash and cash equivalents are spread over a number of banks, each of which meets the criteria set out in our treasury policies, to ensure the risk of loss is minimised.

21. Risks arising from financial instruments continued

Credit risk

The Group is subject to credit risk in respect of amounts receivable from customers.

Amounts receivable from customers

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

Group	2015 £M	2014 £M
Amounts receivable from customers	**802.4**	760.5

The table above represents the maximum exposure to credit risk of the Group at the year end. An analysis of the amounts receivable from customers by geographical segment is presented in note 16.

Amounts receivable from customers are stated at amortised cost and calculated in accordance with the Group's accounting policies. Those amounts receivable from customers that are neither past due nor impaired represent loans where no customer payments have been missed and there is, therefore, no evidence to suggest that the credit quality is anything other than adequate.

Amounts receivable from customers include £5.8 million that is past due but not impaired (2014: £6.2 million). This is in relation to the first four weeks of loans for home credit new customers, and allows a repayment pattern to be established.

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

	Not impaired		Impaired	
Group	2015 £M	2014 £M	2015 £M	2014 £M
Poland-Lithuania	**79.9**	74.5	**223.1**	221.1
Czech-Slovakia	**32.4**	43.3	**83.4**	108.9
Southern Europe	**65.8**	60.2	**114.7**	120.0
Mexico	**28.6**	33.1	**118.8**	99.4
Digital	**53.1**	–	**2.6**	–
	259.8	211.1	**542.6**	549.4

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. The carrying value of the Slovakian loan receivables reflects the impairment described in note 10, however up to date customer balances are not shown as impaired. In IPF Digital the impairment trigger occurs when customers are passed to collections, however an incurred but not reported provision is held in respect of these balances. Annualised impairment as a percentage of revenue for each geographical segment is shown below:

Group	2015 %	2014 %
Poland-Lithuania	**22.9**	27.3
Czech-Slovakia	**26.0**	30.7
Southern Europe	**22.6**	24.9
Mexico	**31.9**	30.9
Digital	**28.6**	–

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2014: £nil).

21. Risks arising from financial instruments continued

Capital risk

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is not required to hold regulatory capital.

The Group aims to maintain appropriate capital to ensure that it has a strong balance sheet but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

Capital is monitored by considering the ratio of equity to receivables and the gearing ratio. The equity of the Group and these ratios are shown below:

Group	2015 £M	2014 £M
Receivables	**802.4**	760.5
Borrowings	**(556.9)**	(478.3)
Other net assets	**81.7**	79.4
Equity	**327.2**	361.6
Equity as % of receivables	**40.8%**	47.5%
Gearing	**1.7**	1.3

Equity as a percentage of receivables was above the Group's internally-set target.

Gearing, which is equal to borrowings divided by equity, at a ratio of 1.7 times (2014: 1.3 times), is well within covenant limits of 3.75 times.

22. Derivative financial instruments

Fair value estimation

IFRS 7 requires disclosure of fair value measurements of derivative financial instruments by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Where fair values are disclosed for financial assets and liabilities not carried at fair value, all such assets are classed as level 1, with the exception of disclosures relating to amounts receivable from customers which are classed as level 3. Details of the significant assumptions in relation to amounts receivable from customers are included in note 24 along with the fair value of other Group assets and liabilities. All of the Group's financial instruments fall into hierarchy level 2.

The Group's derivative assets and liabilities that were measured at fair value at 31 December are as follows:

Group	2015 £M	2014 £M
Assets		
Foreign currency contracts	**11.5**	5.8
Total	**11.5**	5.8

Group	2015 £M	2014 £M
Liabilities		
Interest rate swaps	**1.2**	–
Foreign currency contracts	**1.6**	2.7
Total	**2.8**	2.7

22. Derivative financial instruments continued

Company	2015 £M	2014 £M
Assets		
Foreign currency contracts	**2.5**	0.9
Total	**2.5**	0.9

Company	2015 £M	2014 £M
Liabilities		
Foreign currency contracts	**0.2**	–
Total	**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.

Cash flow hedges

The Group uses foreign currency contracts ('cash flow hedges') to hedge those foreign currency cash flows that are highly probable to occur within 12 months of the balance sheet date and interest rate swaps ('cash flow hedges') to hedge those interest cash flows that are expected to occur within two years of the balance sheet date. The effect on the income statement will also be within these periods. An amount of £1.0 million has been charged to equity for the Group in the period in respect of cash flow hedges (2014: £1.1 million credited to equity), Company: £0.3 million credit (2014: £0.5 million credit).

Foreign currency contracts

The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2015 is £389.0 million (2014: £373.8 million). These comprise:

- foreign currency contracts to buy or sell operational currencies against the euro for a total notional amount of £203.4 million (2014: £242.4 million). These contracts have various maturity dates up to October 2020 (2014: December 2016). These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity;
- foreign currency contracts to buy or sell various currencies for a total notional amount of £0.3 million (2014: £0.3 million). These contracts have various maturity dates up to October 2016 (2014: October 2015). These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity; and
- foreign currency contracts to buy or sell sterling for a total notional amount of £185.3 million (2014: £131.1 million). These contracts have various maturity dates up to November 2018 (2014: November 2018). These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity.

A credit of £0.3 million (2014: £nil) has been made to the income statement in the year representing the movement in the fair value of the ineffective portion of the Mexican cross currency swap.

The total notional amount of outstanding foreign currency contracts that the Company is committed to at 31 December 2015 is £39.0 million (2014: £15.7 million). These comprise:

- foreign currency contracts to buy or sell operational currencies against the euro for a total notional amount of £2.8 million (2014: £2.6 million). All of these contracts are held with external providers to buy and sell currency and have equal and offsetting contracts with other Group companies to buy and sell the same amounts of currency. This leaves the Company with no residual risk and ensures the relevant subsidiary company has an effective foreign currency contract in its books; and
- foreign currency contracts to buy or sell sterling for a total notional amount of £36.2 million (2014: £13.1 million). These contracts have various maturity dates up to November 2018 (2014: November 2018). These contracts have been designated and are effective as cash flow hedges under IAS 39 and, accordingly, the fair value thereof has been deferred in equity.

Interest rate swaps

The total notional principal of outstanding interest rate swaps that the Group is committed to is £58.3 million (2014: £45.4 million). These interest rate swaps cover a proportion of current borrowings relating to the floating rate Polish bond and a proportion of floating rate bank borrowings.

22. Derivative financial instruments continued

Interest rate swaps in place at the balance sheet date are designated, and are effective under IAS 39, as cash flow hedges, and the fair value thereof has been deferred in equity within the hedging reserve. A charge of £nil (2014: £nil) has been made to the income statement in the year representing the movement in the fair value of the ineffective portion of the interest rate swaps and the income statement charge relating to the closure of interest rate swaps.

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

	2015			2014		
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	**2.7**	**2.7 – 2.8**	**4.4**	1.8	1.6 – 2.5	1.4
Mexican peso	**4.2**	**2.0 – 2.2**	**1.5**	–	–	–

The Company did not hold any interest rate swaps at 31 December 2015 (31 December 2014: £nil).

23. Analysis of financial assets and financial liabilities

Financial assets

An analysis of Group financial assets is presented below:

	2015			2014		
Group	**Loans and receivables £M**	**Derivatives used for hedging £M**	**Total £M**	Loans and receivables £M	Derivatives used for hedging £M	Total £M
Amounts receivable from customers	**802.4**	**–**	**802.4**	760.5	–	760.5
Derivative financial instruments	**–**	**11.5**	**11.5**	–	5.8	5.8
Cash and cash equivalents	**39.9**	**–**	**39.9**	68.8	–	68.8
Other receivables	**14.8**	**–**	**14.8**	14.1	–	14.1
Current tax assets	**1.3**	**–**	**1.3**	1.6	–	1.6
	858.4	**11.5**	**869.9**	845.0	5.8	850.8

Financial liabilities

An analysis of Group financial liabilities is presented below:

	2015			2014		
Group	**Financial liabilities at amortised cost £M**	**Derivatives used for hedging £M**	**Total £M**	Financial liabilities at amortised cost £M	Derivatives used for hedging £M	Total £M
Bonds	**500.8**	**–**	**500.8**	462.4	–	462.4
Bank borrowings	**56.1**	**–**	**56.1**	15.9	–	15.9
Derivative financial instruments	**–**	**2.8**	**2.8**	–	2.7	2.7
Trade and other payables	**95.5**	**–**	**95.5**	95.3	–	95.3
Current tax liabilities	**30.9**	**–**	**30.9**	22.9	–	22.9
	683.3	**2.8**	**686.1**	596.5	2.7	599.2

24. 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	2015 Fair value £M	2015 Carrying value £M	2014 Fair value £M	2014 Carrying value £M
Financial assets				
Amounts receivable from customers	**1,140.0**	**802.4**	1,078.3	760.5
Derivative financial instruments	**11.5**	**11.5**	5.8	5.8
Cash and cash equivalents	**39.9**	**39.9**	68.8	68.8
Other receivables	**14.8**	**14.8**	14.1	14.1
Current tax assets	**1.3**	**1.3**	1.6	1.6
	1,207.5	**869.9**	1,168.6	850.8
Financial liabilities				
Bonds	**459.9**	**500.8**	452.1	462.4
Bank borrowings	**56.1**	**56.1**	15.9	15.9
Derivative financial instruments	**2.8**	**2.8**	2.7	2.7
Trade and other payables	**95.5**	**95.5**	95.3	95.3
Current tax liabilities	**30.9**	**30.9**	22.9	22.9
	645.2	**686.1**	588.9	599.2

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

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

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

Derivative financial instruments are held at fair value which is equal to the expected future cash flows arising as a result of the derivative transaction.

For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of their fair value.

25. Retirement benefit obligations

Pension schemes – defined benefit

With effect from 1 March 2010, the Group's defined benefit pension scheme was closed to further accrual of defined benefit obligations, with all members being offered the opportunity to join a money purchase scheme.

Scheme assets are stated at fair value as at 31 December 2015. The major assumptions used by the actuary were:

Group and Company	2015 %	2014 %
Price inflation ('CPI')	**2.2**	2.2
Rate of increase to pensions in payment	**3.0**	3.0
Discount rate	**3.9**	3.7

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

25. Retirement benefit obligations continued

The mortality assumptions are based on standard tables which allow for future mortality improvements. Different assumptions are used for different groups of members. Most members have not yet retired. On average, we expect a male retiring in the future at age 65 to live for a further 27 years. On average, we expect a female retiring in the future at age 65 to live for a further 28 years. If life expectancies had been assumed to be one year greater for all members, the defined benefit obligation would increase by approximately £1.1 million.

If the discount rate was 250 basis points higher/(lower), the defined benefit obligation would decrease by £2.2 million/(increase by £2.3 million).

If the price inflation rate was 250 basis points higher/(lower), the defined benefit obligation would increase by £1.0 million/(decrease by £1.2 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

During the year, the Directors of the Company determined that the defined benefit pension liability, which had previously been only partially allocated to the Company balance sheet, should be fully recognised. This determination was on the basis of the underlying funding agreements. The full defined benefit pension liability has always previously been disclosed on the Group balance sheet. No prior year restatement has been recognised on the basis of immateriality, and the increase in the Company's obligation to the defined benefit liability has been recognised through the statement of other comprehensive income.

The amounts recognised in the balance sheet are as follows:

Group and Company	**2015 £M**	2014 £M
Equities	**19.8**	19.5
Bonds	**8.9**	9.2
Index-linked gilts	**7.2**	8.1
Other	**0.2**	0.1
Total fair value of scheme assets	**36.1**	36.9
Present value of funded defined benefit obligations	**(36.3)**	(38.9)
Net obligation recognised in the balance sheet	**(0.2)**	(2.0)

The amounts recognised in the income statement are as follows:

Group and Company	**2015 £M**	2014 £M
Interest cost	**1.4**	1.5
Expected return on scheme assets	**(1.4)**	(1.5)
Net cost recognised in the income statement	**–**	–

The net cost is included within administrative expenses.

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

Group and Company	**2015 £M**	2014 £M
Fair value of scheme assets at 1 January	**36.9**	33.2
Expected return on scheme assets	**1.4**	1.5
Actuarial (loss)/gain on scheme assets	**(0.9)**	2.2
Contributions by the Group	**1.1**	0.4
Net benefits paid out	**(2.4)**	(0.4)
Fair value of scheme assets at 31 December	**36.1**	36.9

25. Retirement benefit obligations continued

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

Group and Company	2015 £M	2014 £M
Defined benefit obligation at 1 January	**(38.9)**	(34.1)
Interest cost	**(1.4)**	(1.5)
Actuarial gain/(loss) on scheme liabilities	**1.6**	(3.7)
Net benefits paid out	**2.4**	0.4
Defined benefit obligation at 31 December	**(36.3)**	(38.9)

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

Group and Company	2015 £M	2014 £M
Expected return on scheme assets	**1.4**	1.5
Actuarial (loss)/gain on scheme assets	**(0.9)**	2.2
Actual return on scheme assets	**0.5**	3.7

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

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

Group and Company	2015 £M	2014 £M
Actuarial (loss)/gain on scheme assets	**(0.9)**	2.2
Actuarial gain/(loss) on scheme liabilities	**1.6**	(3.7)
Total gain/(loss) recognised in the SOCI in the year	**0.7**	(1.5)
Cumulative amount of losses recognised in the SOCI	**(15.5)**	(16.2)

The history of experience adjustments is as follows:

Group and Company	2015	2014	2013*	2012*	2011*
Experience (losses)/gains on scheme assets:					
– amount (£M)	**(0.9)**	2.2	2.1	1.8	(1.2)
– percentage of scheme assets (%)	**(2.5)**	6.0	6.3	6.0	(3.7)
Experience losses on scheme liabilities:					
– amount (£M)	**–**	(1.2)	–	–	(1.3)
– percentage of scheme liabilities (%)	**–**	(3.1)	–	–	(3.6)

* As required under IAS 19.

25. Retirement benefit obligations continued

Pension schemes – defined contribution

The defined benefit pension scheme is no longer open to further accrual. All eligible UK employees are invited to join stakeholder pension schemes into which the Group contributes between 8% and 20% of members' pensionable earnings, provided the employee contributes a minimum of 5%. The assets of the scheme are held separately from those of the Group. The pension charge in the income statement represents contributions payable by the Group in respect of the scheme and amounted to £1.1 million for the year ended 31 December 2015 (2014: £1.0 million). £nil contributions were payable to the scheme at the year-end (2014: £nil).

In addition, an amount of £nil (2014: £0.1 million) has been charged to the income statement in respect of contributions into personal pension arrangements for certain directors and employees.

26. Share-based payments

The Group currently operates six categories of share schemes: The International Personal Finance plc Performance Share Plan ('the Performance Share Plan'); The International Personal Finance plc Approved Company Share Option Plan ('the CSOP'); The International Personal Finance plc Employee Savings-Related Share Option Scheme ('the SAYE scheme'); The International Personal Finance plc Deferred Share Plan ('the Deferred Share Plan'); The International Personal Finance plc Have Your Share Plan ('the HYS plan'); and The International Personal Finance plc Discretionary Award Plan ('the Discretionary Award Plan'). A number of awards have been granted under these schemes during the period under review.

All options granted under both the Performance Share Plans and CSOPs are subject to a total shareholder return ('TSR') performance target and certain schemes granted in the Performance Share Plan and CSOP also include earnings per share ('EPS') growth; net revenue growth; customer numbers growth; and agent turnover performance targets. The income statement charge in respect of the Performance Share Plan and the CSOP has been calculated using both a Monte Carlo simulation (for TSR) and Black-Scholes model (for the other non-market related conditions) as these schemes include performance targets. There are no performance conditions associated with the HYS plan; if an employee purchases a number of shares (subject to a maximum), the Company grants a nil cost option over four times the number of shares initially purchased. The only criterion associated with this option is that the employee must remain in employment for three years following the initial grant date. The income statement charge in respect of this scheme is calculated using the share price at the date of grant. There are no performance conditions associated with the Discretionary Award Plan, the income statement charge in respect of this scheme is calculated using the share price at the date of grant.

The income statement charge in respect of the SAYE scheme is calculated using a Monte Carlo simulation model, however, no TSR targets are assigned. The Deferred Share Plan comprises deferred awards with matching awards. There are no additional performance criteria attached to the deferred awards, therefore, the income statement charge is calculated using the actual share price at the date the award is granted. The matching awards are subject to the same criteria as the Performance Share Plan. The total income statement charge in respect of these share-based payments is £4.1 million (2014: £4.9 million).

26. Share-based payments continued

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

Group and Company	SAYE schemes	CSOPs	Deferred Share Plans	Performance Share Plans	HYS plans	Discretionary Award Plan
Grant date	2015	2015	2015	2015	2015	2015
Share price at award date	3.98	4.36	4.36	4.36	3.94	5.00
Base price for TSR	n/a	4.63	4.63	4.63	n/a	n/a
Exercise price	3.20	4.32	n/a	nil	n/a	n/a
Vesting period (years)	3 and 5	3 – 4	3	3 – 4	3	3
Expected volatility	47.5%	39.6 – 45.8%	39.6%	39.6 – 45.8%	n/a	n/a
Award life (years)	Up to 5	3	3	3	3	3
Expected life (years)	Up to 5	3	3	3	3	3
Risk-free rate	1.95%	1.79%	1.79%	1.79%	n/a	n/a
Expected dividends expressed as a dividend yield	3.02%	2.22%	2.22%	2.22%	n/a	n/a
Deferred portion	n/a	50.0%	n/a	50.0%	n/a	n/a
TSR threshold	n/a	30.0%	30.0%	30.0%	n/a	n/a
TSR maximum target	n/a	60.0%	60.0%	60.0%	n/a	n/a
EPS threshold	n/a	n/a and 6.0%	n/a	n/a and 6.0%	n/a	n/a
EPS maximum target	n/a	n/a and 15.0%	n/a	n/a and 15.0%	n/a	n/a
Net revenue threshold	n/a	n/a and 5.0%	n/a	n/a and 5.0%	n/a	n/a
Net revenue maximum target	n/a	n/a and 12.0%	n/a	n/a and 12.0%	n/a	n/a
Customer numbers threshold	n/a	n/a and 10.0%	n/a	n/a and 10.0%	n/a	n/a
Customer numbers target	n/a	n/a and 25.0%	n/a	n/a and 25.0%	n/a	n/a
Agent turnover threshold	n/a	n/a and 50.0%	n/a	n/a and 50.0%	n/a	n/a
Agent turnover target	n/a	n/a and 40.0%	n/a	n/a and 40.0%	n/a	n/a
Fair value per award (£)	1.81	0.89 – 1.40	1.73 – 4.08	1.75 – 4.08	n/a	n/a

No exercise price is payable in respect of awards made under the Performance Share Plan or the Deferred Share Plan. The risk-free rate of return is the yield on zero coupon UK government bonds with a remaining term equal to the expected life of the award.

Further detail in respect of the Performance Share Plans, CSOPs, Deferred Share Plans, SAYEs, HYS plans and Discretionary Award Plan is given in the Directors' Remuneration Report.

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

	SAYE schemes		CSOPs		Deferred Share Plans		Performance Share Plans		HYS plans		Discretionary Award Plan	
Group	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January 2014	406,240	2.19	481,829	2.80	1,710,952	–	4,964,136	–	–	–	–	–
Granted	134,566	4.39	65,758	5.26	471,001	–	1,117,278	–	225,912	–	–	–
Expired/lapsed	(22,929)	3.68	(25,340)	3.69	(22,527)	–	(228,686)	–	(8,891)	–	–	–
Exercised	(117,449)	1.30	(189,978)	2.26	(538,149)	–	(1,171,802)	–	–	–	–	–
Outstanding at 31 December 2014	400,428	3.10	332,269	3.57	1,621,277	–	4,680,926	–	217,021	–	–	–
Outstanding at 1 January 2015	**400,428**	**3.10**	**332,269**	**3.57**	**1,621,277**	**–**	**4,680,926**	**–**	**217,021**	**–**	**–**	**–**
Granted	**243,417**	**3.20**	**29,814**	**4.32**	**482,216**	**–**	**1,467,558**	**–**	**113,132**	**–**	**120,000**	**–**
Expired/lapsed	**(93,334)**	**4.28**	**(27,864)**	**3.67**	**(1,963)**	**–**	**(302,466)**	**–**	**(20,896)**	**–**	**–**	**–**
Exercised	**(142,924)**	**1.90**	**(120,407)**	**2.45**	**(610,652)**	**–**	**(1,425,169)**	**–**	**–**	**–**	**–**	**–**
Outstanding at 31 December 2015	**407,587**	**3.32**	**213,812**	**4.30**	**1,490,878**	**–**	**4,420,849**	**–**	**309,257**	**–**	**120,000**	**–**

The weighted average share price at the date of exercise for the share options exercised during the year was £4.38.

26. Share-based payments continued

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

	SAYE schemes		CSOPs		Deferred Share Plans		Performance Share Plans	
Company	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January 2014	242,932	2.15	265,758	2.70	995,067	–	2,297,107	–
Granted	89,189	4.39	52,798	5.26	317,351	–	520,588	–
Transferred	–	–	–	–	6,735	–	31,520	–
Expired/lapsed	(13,338)	3.11	(6,787)	3.11	(11,762)	–	(65,140)	–
Exercised	(73,654)	2.17	(113,181)	2.17	(264,282)	–	(625,028)	–
Outstanding at 31 December 2014	245,129	3.16	198,588	3.58	1,043,109	–	2,159,047	–
Outstanding at 1 January 2015	**245,129**	**3.16**	**198,588**	**3.58**	**1,043,109**	**–**	**2,159,047**	**–**
Granted	**139,398**	**3.20**	**13,588**	**4.32**	**331,415**	**–**	**652,418**	**–**
Transferred	**3,940**	**2.06**	**5,708**	**5.26**	**–**	**–**	**2,889**	**–**
Expired/lapsed	**(59,436)**	**4.29**	**(2,244)**	**5.09**	**–**	**–**	**(13,625)**	**–**
Exercised	**(70,601)**	**1.91**	**(77,150)**	**2.31**	**(397,751)**	**–**	**(630,784)**	**–**
Outstanding at 31 December 2015	**258,430**	**3.24**	**138,490**	**4.40**	**976,773**	**–**	**2,169,945**	**–**

The Company does not have any awards under the HYS plan or Discretionary Award Plan.

The weighted average share price at the date of exercise for the share options exercised during the year was £4.45.

27. Share capital

Company	2015 £M	2014 £M
At 1 January	**24.0**	24.0
Own shares acquired	**(0.6)**	–
At 31 December	**23.4**	24.0

Share capital consists of 234,244,437 fully paid up shares (2014: 239,705,096 fully paid up shares) at a nominal value of 10 pence.

The Company has one class of ordinary shares which carry no right to fixed income.

The own share reserve represents the cost of shares in IPF purchased from the market, which can be used to satisfy options under the Group's share options schemes (see note 26). The number of ordinary shares held in treasury and by the employee trust at 31 December 2015 was 13,806,124 (2014: 8,874,019).

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

	Group		Company	
	2015 £M	2014 £M	**2015 £M**	2014 £M
Profit/(loss) after taxation	**62.5**	71.8	**(8.9)**	281.9
Adjusted for:				
– tax charge/(credit)	**37.7**	28.4	**(1.0)**	(4.0)
– finance costs	**41.6**	45.3	**36.3**	42.3
– finance income	**–**	–	**(34.2)**	(33.0)
– dividends received from subsidiaries	**–**	–	**–**	(300.0)
– share-based payment charge (note 26)	**4.1**	4.9	**2.0**	1.9
– depreciation of property, plant and equipment (note 14)	**10.6**	10.3	**0.1**	0.1
– loss on disposal of property, plant and equipment (note 3)	**–**	0.1	**–**	–
– amortisation of intangible assets (note 12)	**4.8**	1.0	**–**	–
– impairment of intangible assets (note 3)	**4.6**	–	**–**	–
Changes in operating assets and liabilities:				
– amounts receivable from customers	**(58.5)**	(36.3)	**–**	–
– other receivables	**(1.1)**	(1.9)	**(42.1)**	(103.9)
– trade and other payables	**1.5**	(2.2)	**101.3**	(175.5)
– retirement benefit obligation	**(1.1)**	(0.4)	**(1.0)**	(0.1)
– derivative financial instruments	**(6.4)**	0.7	**(1.1)**	(0.8)
Cash generated from/(used in) operating activities	**100.3**	121.7	**51.4**	(291.1)

29. Commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	**2015 £M**	2014 £M
In less than one year	**13.8**	12.9
In more than one year but not later than five years	**21.6**	28.0
In more than five years	**7.2**	7.8
	42.6	48.7

Other commitments are as follows:

Group	**2015 £M**	2014 £M
Capital expenditure commitments contracted with third parties but not provided for at 31 December	**7.8**	7.1

The Company has no commitments as at 31 December 2015 (2014: £nil).

30. Acquisition of subsidiary

On 6 February 2015 the Group acquired 100% of the issued share capital of MCB Finance Group plc ('MCB'), a profitable digital consumer finance provider established in 2006, for a cash consideration of £23.2 million.

The allocation of the consideration has been subject to a purchase price allocation exercise during the period. The excess of consideration over the net assets acquired has been allocated to goodwill.

Goodwill represents MCB's digitally knowledgeable and experienced management team who can help accelerate the development of the Group's digital lending business across new geographies. Additionally we expect the launch of our digital channel will open up new geographies which are not economically viable for a home credit operation or where an agent-led offer is not compelling to potential customers. The business combination also provides attractive growth opportunities as MCB will also benefit from the Group's investment support and access to cheaper funding to enable the business to grow at a faster rate with lower funding costs.

None of the goodwill recognised is expected to be deductible for income tax purposes.

The net assets acquired and goodwill (presented at the exchange rate at the acquisition date) are as follows:

	Net book value £M	Fair value adjustments £M	Fair value £M
Recognised amounts of identifiable assets acquired and liabilities assumed			
Intangible assets	**1.9**	**4.1**	**6.0**
Property, plant and equipment	**0.1**	**–**	**0.1**
Amounts receivable from customers	**33.0**	**(0.6)**	**32.4**
Cash and cash equivalents	**2.2**	**–**	**2.2**
Other receivables	**0.2**	**–**	**0.2**
Borrowings	**(32.0)**	**–**	**(32.0)**
Trade and other payables	**(3.4)**	**–**	**(3.4)**
Deferred tax liability	**(0.6)**	**(1.0)**	**(1.6)**
Current tax liabilities	**(1.1)**	**–**	**(1.1)**
	0.3	**2.5**	**2.8**
Goodwill			**20.4**
Total consideration			**23.2**

Cash consideration	**23.2**
Cash acquired	**(2.2)**
Net cash outflow in respect of acquisition	**21.0**

The fair value of financial assets includes amounts receivable from customers with a fair value of £32.4 million and a gross contractual value of £57.5 million. The best estimate at the acquisition date of the gross contractual cash flows not likely to be collected was £3.4 million.

Following a review of the receivables valuation methodology, we have applied a hindsight adjustment to reduce the net book value of receivables by £0.9 million to £33.0 million (30 June 2015: £33.9 million), the corresponding entry has been made in goodwill.

For the period between the date of purchase and 31 December 2015, MCB Finance contributed £29.5 million to the Group's revenue, and £0.6 million to the Group's profit before tax. Had the Group completed the purchase of MCB Finance on the first day of the financial year, Group revenue would have been £2.8 million higher than the reported results whilst Group profit before tax would not have been materially different.

31. Post balance sheet events

On 24 February, the Group announced to its employees that the Slovakian business would be wound-down and the receivables book collected out. We expect the Slovak operation to report a loss of around £5 million to £7 million during 2016 including the cost of closure of around £6 million.

32. 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 £203.7 million (2014: £214.3 million). At 31 December 2015, the fixed and floating rate borrowings under these facilities amounted to £88.0 million (2014: £52.1 million). The directors do not expect any loss to arise. These guarantees are defined as financial guarantees under IAS 39 and their fair value at 31 December 2015 was £nil (2014: £nil).

33. Related party transactions

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

	2015			2014		
Company	Recharge of costs £M	Interest charge £M	Outstanding balance £M	Recharge of costs £M	Interest charge £M	Outstanding balance £M
Poland-Lithuania	**0.1**	**–**	**0.7**	–	–	–
Czech-Slovakia	**–**	**–**	**0.2**	–	–	–
Southern Europe	**–**	**–**	**0.3**	–	–	–
Mexico	**–**	**10.3**	**0.1**	–	11.4	0.4
Digital	**–**	**–**	**–**	–	–	–
Other UK companies	**8.7**	**17.3**	**88.7**	7.8	10.2	98.7
	8.8	**27.6**	**90.0**	7.8	21.6	99.1

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

Financial Calendar for 2016

24 February	Announcement of 2015 full-year results
7 April	Ex-dividend date for final dividend
8 April	Record date for final dividend
4 May	AGM
13 May	Payment of 2015 final dividend
28 July	Announcement of 2016 half-year report
1 September	Ex-dividend date for interim dividend
2 September	Record date for interim dividend
7 October	Payment of 2016 interim dividend

Dividends and Dividend History

Year	Payment date	Interim dividend (p)	Payment date	Final dividend (p)	Total dividend (p)
2007	19 October 2007	1.90	23 May 2008	2.85	4.75
2008	3 October 2008	2.30	22 May 2009	3.40	5.70
2009	2 October 2009	2.30	21 May 2010	3.40	5.70
2010	8 October 2010	2.53	20 May 2011	3.74	6.27
2011	7 October 2011	3.00	1 June 2012	4.10	7.10
2012	5 October 2012	3.23	3 May 2013	4.51	7.74
2013	4 October 2013	3.80	9 May 2014	5.50	9.30
2014	3 October 2014	4.20	8 May 2015	7.80	12.00
2015	2 October 2015	4.60	13 May 2016	7.80[1]	12.40[2]

1 Subject to shareholder approval on 4 May 2016.

2 Includes final dividend, subject to shareholder approval on 4 May 2016.

Payment of dividends

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

Registrar

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

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

Telephone – 0871 664 0300

Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 and 17:30, Monday to Friday excluding public holidays in England and Wales.

www.capitaassetservices.com

Company number 6018973
Registered in England and Wales

Shareholder information online and electronic communications

For online information such as share price and capital gains tax information, please visit the Company's website at www.ipfin.co.uk.

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

ShareGift

If a shareholder has a shareholding which it is not economic to sell, he/she may wish to donate the shares to ShareGift, a registered charity (no. 1052686), which can amalgamate small holdings in order to sell the shares and pass the proceeds on to other charities. More information is available at www.sharegift.org or telephone 020 7930 3737.

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