

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(Company Number 00961088)

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INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
(Company Number 00961088)

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

1. Principal activities and going concern

The principal activity of the company is to act as a holding and investment company on behalf of International Personal Finance plc "the Group".

The company participates in the group's centralised treasury arrangements and banking arrangements with its parent and fellow subsidiaries.

In considering whether the company is a going concern, the directors have made enquiries of the reviews performed by the directors of the ultimate parent company in assessing the Group's 2021 business plan and the expected trajectory of recovery from the Covid-19 pandemic. The financial forecasts in the business plan have been stress tested in a range of downside scenarios to assess the impact that the Group's principal risks and uncertainties (including the short and medium-term impacts of the Covid-19 pandemic) on future profitability, funding requirements and covenant compliance. In addition, the Group's debt facilities are forecast to be sufficient to fund business requirements for the foreseeable future and the Group is forecast to continue to operate with significant headroom over its key financial covenants.

Due to the company's year end position, the ultimate parent undertaking has confirmed its continued support to the company. On the basis of their assessment of the company's financial position, the support of the Group and of the enquiries made of the directors of International Personal Finance plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence in the next 12 months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Results

The Profit and loss account for the year is set out on page 9. The loss after tax for the year of £67,085,000 (2019: profit of £21,102,000) has been deducted from (2019: added to) reserves. Included in this result are losses relating to impairment of the company's investments of £46,450,000 (2019: £nil) following a review of their financial performance in response to the Covid-19 pandemic as set out below, a loss on the disposal of the company's investment in IPF Polska sp.z.o. of £35,092,000 (2019: £nil) and a reduction in dividend income to £30,474,000 (2019: £38,293,000). For further details, see note 8.

3. Principal risks and uncertainties

The directors of International Personal Finance plc manage the Group's risks at a Group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of International Personal Finance plc, which include those of the company, are reported within the 'Principal risks and uncertainties' section of the Group's annual report, which does not form part of this report, but is publicly available. However, the company has the following risk;

- The company is subject to a risk of credit default on its intercompany debtor balances. The repayment is dependent on the performance of the counterparties which is reviewed on a regular basis. During the year these reviews have included consideration of the impact that Covid-19 has had on the ability of counterparties to repay these balances in full on their maturity. Whilst the directors acknowledge that Covid-19 has led to a challenging external environment for its debtors, they remain confident that the balances due can be recovered.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
(Company Number 00961088)

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3. Principal risks and uncertainties (continued)

- The company has significant investments in other entities. There is a risk that the value of these investments may deteriorate as a result of the performance of these entities. Performance is reviewed on a regular basis and corrective action to protect the value of these investments is taken as appropriate. During the period, this review has included consideration of the impact that Covid-19 may have on the future cashflows and performance of the Company's investments and resulted in impairment losses totalling £46,450,000 (2019: £nil) being recognised during the period, further details regarding which are included in note 8. Whilst the directors acknowledge that Covid-19 has led to a challenging external environment for the company's investment entities, they remain confident that sufficient cash flows will be received in the future to recover the remaining investment balances in full. A shortfall in profitability compared to current expectations may result in future adjustments to investment in subsidiary balances.

4. Key performance indicators (KPIs)

Given the nature of the business, the company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

5. Future Development

The company acts as a holding and investment company the general level of activity is to remain consistent in the forthcoming year.

APPROVED BY ORDER OF THE BOARD



L Dobson
Company Secretary

LEEDS

9 June 2021

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
(Company Number 00961088)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report together with the audited financial statements of the company and the auditor's report for the year ended 31 December 2020. Information regarding going concern, the company's principal activities, results for the year, key performance indicators and future outlook are included in the company's strategic report on pages 1-2 and incorporated into this report by cross-reference.

1. Dividend

The directors do not recommend the payment of a dividend (2019: £nil).

2. Directors

The directors of the company at 31 December 2020 and at the date of this report, all of whom were directors for the whole of the year then ended, unless otherwise noted, were:

J N Dahlgreen	(Resigned 10 February 2020)
D J Kleppen	(Appointed 24 May 2021)
J A Lockwood	
C Nelischer	(Appointed 10 February 2020, Resigned 22 June 2020)
J A Ormrod	
G J Ryan	

3. Capital structure

The company's capital structure includes a combination of ordinary called-up share capital and retained earnings.

4. Events after balance sheet date

Details regarding the redemption of preference shares and state aid payments since the balance sheet date are contained in notes 18 and 19.

5. Disclosure of information to the auditor

As far as each director is aware, there is no relevant audit information of which the company's auditor is unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This statement is given and should be interpreted in accordance with the provision of section 418(2) of the Companies Act 2006.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
(Company Number 00961088)

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

6. **Risks**

All principal risks and uncertainties have been assessed and disclosed in the company's strategic report and form part of this report by cross reference.

7. **Auditor**

The auditors Deloitte LLP are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

APPROVED BY ORDER OF THE BOARD



L Dobson
Company Secretary

LEEDS

9 June 2021

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
(Company Number 00961088)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

APPROVED BY ORDER OF THE BOARD



L Dobson
Company Secretary

LEEDS

9 June 2021

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

Independent auditor's report to the members of International Personal Finance Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements International Personal Finance Investments Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

Independent auditor's report to the members of International Personal Finance Investments Limited **(continued)**

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax laws applicable to the company; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias, and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of those charged with governance.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

Independent auditor's report to the members of International Personal Finance Investments Limited **(continued)**

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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.



Peter Birch FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
9 June 2021

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
(Company Number 00961088)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER

	<u>Notes</u>	<u>2020</u> £'000	<u>2019</u> £'000
Administrative (expense) / income		(81,589)	690
Other income	3	13	-
		<hr/>	<hr/>
OPERATING PROFIT		(81,576)	690
Interest payable and similar expenses	4	(16,967)	(17,207)
Interest receivable	4	-	79
Dividends received	3	30,474	38,293
		<hr/>	<hr/>
(LOSS) / PROFIT BEFORE TAXATION	3	(68,069)	21,855
Tax credit / (charge) on (loss) / profit	7	984	(753)
		<hr/>	<hr/>
(LOSS) / PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDER OF THE COMPANY		(67,085)	21,102
		<hr/>	<hr/>

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	<u>Notes</u>	<u>2020</u> £'000	<u>2019</u> £'000
(LOSS) / PROFIT FOR THE YEAR		(67,085)	21,102
Items that will subsequently be reclassified to profit or loss when specific conditions are met:			
Loss on hedging reserve	15	-	(10)
Taxation credit on hedging reserve	15	-	2
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(67,085)	21,094
		<hr/>	<hr/>

The results shown in the Profit and loss account derive wholly from continuing activities.

There is no difference between the profit on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents.

The notes on pages 12 to 22 form part of these financial statements.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
Company Number 00961088)

BALANCE SHEET AS AT 31 DECEMBER

	<u>Notes</u>	<u>2020</u> £'000	<u>2019</u> £'000
NON CURRENT ASSETS			
Investments	8	357,826	416,495
Debtors - due after one year	9	162,079	152,924
Deferred taxation	10	15	216
		<hr/> 519,920	<hr/> 569,635
CURRENT ASSETS			
Debtors – due within one year	9	10,298	-
Cash at bank and in hand		39	26
		<hr/> 10,337	<hr/> 26
TOTAL CURRENT ASSETS			
		10,337	26
CREDITORS: Amounts falling due within one year	11	(392,452)	(364,771)
		<hr/> (382,115)	<hr/> (364,745)
NET CURRENT LIABILITIES			
		<hr/> (382,115)	<hr/> (364,745)
NET ASSETS			
		<hr/> 137,805	<hr/> 204,890
CAPITAL AND RESERVES			
Called-up share capital	12	2,191	2,191
Revaluation reserve	13	1,109	1,109
Share premium reserve	14	76	76
Hedging reserve	15	-	-
Profit and loss account		134,429	201,514
		<hr/> 137,805	<hr/> 204,890

The financial statements on pages 9 to 22 were approved and authorised for issue by the board of directors on 9 June 2021 and were signed on its behalf by:

J A Lockwood



D J Kleppen



(Directors)

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
Company Number 00961088)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	<u>Called-up share capital Note 12 £'000</u>	<u>Reval reserve Note 13 £'000</u>	<u>Share premium reserve Note 14 £'000</u>	<u>Hedging reserve Note 15 £'000</u>	<u>Profit and loss account £'000</u>	<u>Total £'000</u>
Balance at 1 January 2019	2,191	1,109	76	8	180,412	183,796
Loss for the year	-	-	-	-	21,102	21,102
Hedging reserve movement	-	-	-	(8)	-	(8)
Total comprehensive income / (expense) for the year	-	-	-	(8)	21,102	21,094
Balance at 31 December 2019	2,191	1,109	76	-	201,514	204,890
Loss for the year	-	-	-	-	(67,085)	(67,085)
Total comprehensive expense for the year	-	-	-	-	(67,085)	(67,085)
Balance at 31 December 2020	2,191	1,109	76	-	134,429	137,805

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

I. Principal accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

a) Basis of accounting

International Personal Finance Investments Limited "the company" is a private company limited by shares incorporated and registered in England and Wales in the United Kingdom under the Companies Act. The address of the registered office is given in note 20. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the Group financial statements of International Personal Finance plc. Details of the parent in whose consolidated financial statements the company is included are shown in note 20 to the financial statements.

As permitted by FRS 101, exemptions from applying the following requirements have been adopted: IFRS 7 "Financial Instruments: Disclosures"; IAS 7 "Statement of Cash Flows"; IAS 24; "Related Party Disclosures" paragraph 7; IAS 8 "Changes in Accounting Estimates and Errors" paragraphs 30-31; and IAS 36 "Impairment of Assets" paragraphs 134(d)-(f) and 135 (c) – (e).

The Group financial statements of International Personal Finance plc are available to the public and can be obtained as set out in note 20.

b) Administrative expenses

Administrative expenses incurred represent certain costs as a result of operating the company's business. These costs are recognised on an accruals basis and include increases on provisions for impairment of investments.

c) Taxation

Deferred taxation is provided in respect of all timing differences that have originated but not reversed at the balance sheet date and is determined using the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation is not recognised on revalued assets unless there is a binding agreement at the balance sheet date to sell the revalued asset and the related gain has been recognised in the financial statements. Deferred taxation balances are not discounted.

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. Where withholding tax has been suffered on overseas income received, it has been accounted for as overseas tax. Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 **(CONTINUED)**

1. Principal accounting policies (continued)

d) Foreign exchange

The functional currency of the company is considered to be pounds sterling. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. To the extent that foreign equity investments are hedged by foreign currency liabilities, these investments are translated at the exchange rate ruling at the end of the financial period. Exchange differences arising on retranslation of these foreign equity investments are taken to profit and loss account and offset against exchange differences arising on the related foreign currency liabilities. All other monetary assets and liabilities denominated in foreign currencies are expressed, in sterling, at the rates of exchange ruling at the end of the financial period or the contracted rate to the extent that they are hedged. Resultant gains or losses are taken to the profit and loss account.

e) Subsidiary undertakings

Investments in subsidiary undertakings and fellow subsidiary undertakings are stated at the balance sheet date at cost less provisions for impairment. Performance of investments is reviewed on a regular basis and the investments are measured at lower of cost and net realisable value. Prior to 12 July 2011, to the extent that foreign equity investments were hedged by foreign currency liabilities, these investments were translated at the exchange rate ruling at the end of the financial period. The exchange differences arising on the retranslation of such investments and foreign currency borrowings were taken to reserves.

The company applies the requirements of IAS 36 when determining whether it is necessary to recognise a provision for impairment against any of the company's subsidiary undertakings, with investment balances tested annually for impairment where there is indication that the asset may need to be impaired. The carrying value of the investment is compared to its recoverable amount (being the higher of the value in use and fair value less costs of disposal) and any increases to the company's provisions for impairment recognised in profit or loss within administrative expenses. Any reductions in provisions for impairment are recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequent increases.

Where the company disposes of any of its investments in subsidiary undertakings, the difference between the consideration received less any related costs of sale and the carrying value of the investment is recognised directly in profit or loss within administrative expenses.

f) Financial instruments

The company uses derivative financial instruments, principally forward currency contracts maturing within two years of the balance sheet date, to manage the currency risks arising from the company's underlying business operations. No transactions of a speculative nature are undertaken. After adopting FRS 101 the hedging reserves and derivatives are fully disclosed on the balance sheet.

The adoption of IFRS 9 Financial Instruments has not resulted in the amendment of any of the measurement categories for, or carrying amounts of, the Group's financial instruments. The company continues to measure the hedge accounting criteria set out in IAS 39. All derivative financial instruments are assessed against the hedge accounting criteria set out in International Accounting Standard No. 39. All of the company's derivatives are cash flow hedges of highly probable forecast transactions and meet the hedge accounting requirements of International Accounting Standard No. 39. Derivatives are initially recognised at the fair value, classified at fair value through profit and loss "FVTPL" on the date a derivative contract is entered into and are subsequently remeasured at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately within the profit and loss account.

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

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(CONTINUED)

1. Principal accounting policies (continued)

g) Dividends

The company receives dividends from Group undertakings which are recognised in the profit and loss account on an accruals basis.

h) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market on the valuation date and the current market conditions, regardless of whether the price is directly observable or estimated using other valuation techniques. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants take these characteristics into account when pricing the asset or liability at the measurement date.

Moreover, for financial reporting purposes, the fair value measurements are categorized into level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable, and the significance of the inputs to the fair value as a whole. These levels are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities for which the entity has an access at the measurement date,
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 inputs are unobservable inputs for valuation of the asset or liability.

In measuring the fair value of assets or liabilities, the Company uses observable market data to the extent that this is possible.

i) Going concern

The directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (12 months from the date of these Financial Statements). Thus they continue to adopt the going concern basis of accounting in the Financial Statements. Further detail is contained in the Strategic Report on page 1.

j) Redeemable preference shares

Preference shares, which are mandatorily redeemable on a specific date, are classified as financial assets. The redeemable preference shares are initially recognised at fair value being the present value of future discounted cash flows and subsequently measured at amortised cost.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

l) Debtors and Creditors

Debtors and creditors do not carry interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. They are recognised when the Group's right to consideration is only conditional on the passage of time. Allowances incorporate an expectation of life-time credit losses from initial recognition and are determined using an expected credit loss approach.

m) Interest payable and receivable

Interest is charged at rates based on the cost of external finance and credited at rates linked to equivalent national LIBOR.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(CONTINUED)

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The directors deem that the only significant critical judgements and sources of estimation uncertainty to concern the carrying value of investments in subsidiaries and impairment of intra-group debtor balances.

The directors monitor the carrying values of all investments in subsidiaries by reference to annual budgets and impair the carrying values of investments in subsidiaries if the budgets do not support the current valuation of investments. The directors monitor the carrying values of all investments in subsidiaries by reference to annual budgets and impair the carrying values of investments in subsidiaries if the budgets do not support the current valuation of investments. During the period, these reviews considered the impact of Covid-19 on future cashflows and performance. Following this review, investments were impaired by £46,450,000 (2019: £nil).

The company's debtor balances are accounted for in accordance with IFRS 9 *Financial Instruments*. In assessing the recoverability of these balances, the directors are required to make estimates about the ability of counterparties to repay these loans in full on their maturity and the quantum of expected credit losses that the company expects to incur. As at 31 December 2020, the directors have an expectation that all outstanding balances will be repaid in full on their maturity and expected credit losses of £nil (2019: £nil) have therefore been recognised within the company's financial statements. In reaching their conclusions, the directors have considered the financial position of the company's counterparties and the impacts that Covid-19 may have on their ability to repay these loans as and when they become due and payable.

3. (Loss) / profit before taxation

The (loss) / profit before taxation is stated after charging/(crediting):

	<u>2020</u> £'000	<u>2019</u> £'000
Auditor's remuneration:		
Fees payable to the auditor for the audit of the company's financial statements	2	2
Loss on disposal of investment in subsidiary (note 8)	35,092	-
Impairment of investment in subsidiary (note 8)	46,450	
Dividends	(30,474)	(38,293)
	<hr/>	<hr/>

4. Interest (payable)/receivable and similar expenses

	<u>2020</u> £'000	<u>2019</u> £'000
Interest payable and similar expenses		
Group interest	(16,967)	(17,207)
	<hr/>	<hr/>
Interest receivable		
Group interest	-	79
	<hr/>	<hr/>

5. Directors' emoluments

None of the directors received any remuneration for their services to the company during the year (2019: nil). All directors' remuneration and related costs were borne by the company's parent undertaking or subsidiary undertakings.

During the year none of the directors (2019: three) exercised nil (2019: 96,629) share options in shares of the company's parent undertaking International Personal Finance plc. The exercise price of these options was £zero (2019: £zero).

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(CONTINUED)

6. Employee information

The average monthly number of persons employed by the company, excluding executive directors, during the year was nil (2019: nil).

7. Tax credit / (charge) on (loss) / profit

(a) Analysis of tax credit / (charge) for the year:

	<u>2020</u> £'000	<u>2019</u> £'000
Current tax		
UK corporation tax charge on (loss)/profit for the year	-	(2,049)
Adjustment in respect of prior years	1,186	1,102
Total current tax credit / (charge)	<u>1,186</u>	<u>(947)</u>
Deferred taxation (note 10 (b))		
Adjustment in respect of prior years	(1)	222
Origination and reversal of timing differences	(201)	(28)
Tax credit / (charge) on (loss) / profit (note 7(b))	<u>984</u>	<u>(753)</u>

(b) Factors affecting the tax credit / (charge) for the year:

The tax charge for the year can be reconciled to the profit and loss account as follows:

	<u>2020</u> £'000	<u>2019</u> £'000
(Loss) / profit before taxation	(68,069)	21,855
Expected tax credit / (charge) calculated at the standard rate of corporation tax in the UK of 19% (2019: 19%)	12,933	(4,153)
Effects of:		
Non taxable dividends and other income	5,789	7,408
Non deductible expenses	(15,490)	-
Tax on apportioned CFC profits	-	(2,049)
Transfer pricing adjustment	-	420
Group relief for nil payment	(3,237)	(3,678)
Movement in deferred tax not recognised	(222)	-
Difference in deferred tax rates	25	(25)
Adjustment in respect of prior years	1,186	1,324
Total tax credit / (charge) for the year (note 7(a))	<u>984</u>	<u>(753)</u>

Non deductible expenses are in respect of reductions in investments as set out in note 8.

(c) Factors that may affect future tax charges:

The headline rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. On the 3rd March 2021 the UK Chancellor of the Exchequer announced that the corporation tax rate will increase from 19% to 25% from April 2023. The proposed change in the corporation tax rate was subsequently included in Finance Bill 2021 which was published on 11 March 2021.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(CONTINUED)

8. Investments

Investments in subsidiary or fellow subsidiary undertakings comprise:

	<u>Shares at cost</u> £'000
At 1 January 2019	419,120
Additions	30,686
Preference share redemption	(30,334)
FX revaluation	(2,977)
At 31 December 2019	<u>416,495</u>
Additions	29,303
Unwind of discounting on preference shares	(6,431)
Loss on disposal in IPF Polska sp.z.o.	(35,092)
Impairment of investments	(46,449)
At 31 December 2020	<u>357,826</u>

During the year, the company made investments of £27,500,000 and £1,763,000 in Provident Mexico S.A. de C.V. and International Personal Finance Digital Spain, SAU respectively.

During the period, the company performed an impairment review of its investment balance, including consideration of the impact that the Covid-19 pandemic may have on the future cash flows and performance of its subsidiary undertakings.

Due to the completion of a number of capital distributions in recent years, reducing the net assets of PF (Netherlands BV) that are available for distribution to the company, as well as the business of PF (Netherlands) BV being in a phase of managed run-off, impairment losses totalling £17,704,000 (2019: £nil) have been recognised during the period, reflecting the net present value of future cashflows that are expected to arise from the company's investment.

In addition, the company has recognised provisions for impairment against the carrying value of its investments in IPF Management Unlimited Company and IPF Development (2003) Limited, totalling £230,000 (2019: £nil), following the discontinuation of their operations and the company's expectation that no future cash flows will therefore arise from which the company's investment balances may be recovered.

As outlined in further detail within Note 2, after reviewing the financial position and future cash flows of the company's investments, taking into account the impact that the Covid-19 pandemic may have on its subsidiary undertakings, the company has recognised provisions for impairment totalling £28,515,000 (2019: £nil) against its involvement in International Personal Finance Digital Spain, SAU.

In November and December 2020, the company disposed of its investment in IPF Polska sp.z.o. in two tranches to a fellow subsidiary of the Group for total consideration of 2 zloty, resulting in a loss on disposal of £35,092,000 (2019: £nil) being recognised through profit or loss during the period.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(CONTINUED)

8. Investments (continued)

Details of the company's subsidiaries or fellow subsidiaries are as follows:

<u>Name of subsidiary or fellow subsidiary</u>	<u>Country of incorporation</u>	<u>Class of shares issued</u>	<u>Percentage holding</u>
IPF International Limited	England	Ordinary £1	100%
Provident Pénzügyi Zrt	Hungary	Ordinary #	99%
HU-1082 Budapest, Futo utca 47-53, Hungary			
Provident Mexico S.A. de C.V.	Mexico	Ordinary A~ Ordinary B ~	99.998% 100%
Avenida 31 Poniente No 4118, Colonia Ampliacion Reforma, Puebla, Mexico CP 72160			
IPF Development (2003) Limited	England	Ordinary £1	100%
IPF Financing Limited	England	Ordinary £1	700%
Provident Financial Romania IFN S.A	Romania	Ordinary #*	99.99%
Celea Serban Voda nr. 133, Central business park, 1 st floor, Building D-E, 2 nd floor Building D, District 4 Bucharest, Romania			
PF (Netherlands) B.V.	Netherlands	Ordinary €	100%
Prins Bernhardplein 200, 1097 JB, Amsterdam			
IPF Management Unlimited Company	Ireland	Ordinary €	100%
International Personal Finance Digital Spain, SAU	Spain	Ordinary €	100%
Avenida de la Albufera 153, 28038 Madrid			
IPF Digital Australia Pty Ltd	Australia	Ordinary &	100%
61-63 Great Buckingham St, Redfern NSW 2016, Australia			
IPF Digital Mexico S.A. de C.V	Mexico	Ordinary A~	100%
Av. Sonora 113, Col. Roma Norte, 06700, Ciudad de Mexico			

Shares are denominated in 100,000 Hungarian forints

~ Shares are denominated in Mexican pesos

#* Shares are denominated in Romanian leu

€ Shares are denominated in Euros

& Shares are denominated in Australian dollars

All UK subsidiaries are registered at the same office as the company, and this address is shown in note 19 on page 21.

In the opinion of the directors, the value of the company's investments in its subsidiary undertakings at the balance sheet date is not worth less than the amount at which it is stated in the balance sheet. Further information regarding the key assumptions applied by the directors in reaching this conclusion is included in Note 2.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(CONTINUED)

9. Debtors

Due within one year:

	<u>2020</u> £'000	<u>2019</u> £'000
Amounts owed by other Group undertakings	9,633	-
Corporation tax	661	-
Prepayments and accrued income	4	-
	<u>10,298</u>	<u>-</u>

Due after more than one year:

	<u>2020</u> £'000	<u>2019</u> £'000
Amounts owed by other Group undertakings	162,079	152,924
	<u>162,079</u>	<u>152,924</u>

Amounts owed by other Group undertakings are unsecured and include mandatorily redeemable preference shares of £162,079,000 (2019: £143,771,000) which carry no coupon and amounts where interest is credited at rates based on the cost of external finance. The redeemable preference shares are initially recognised at fair value and subsequently measured at amortised cost. Subsequent to the balance sheet date, the company requested repayment of these balances in advance of their maturity date, further details of which are included in note 19.

Amounts owed to the company's ultimate parent undertaking and other Group undertakings are unsecured. Amounts owed to the company's ultimate parent undertaking include amounts where interest is charged at rates based on the cost of external finance. No interest is payable on amounts owed to the company's other Group undertakings.

10. Deferred taxation

a) Deferred taxation is recognised in the financial statements as follows:

	<u>2020</u> £'000	<u>2019</u> £'000
Other temporary differences	15	216
	<u>15</u>	<u>216</u>

b) The movement in deferred taxation during the year is as follows:

	<u>2020</u> £'000
Deferred tax liability at 1 January 2020	216
Credited to the hedging reserve in the year (note 15)	-
Credited to profit and loss account in the year	(201)
	<u>15</u>
Deferred tax asset at 31 December 2020	15

At 31 December 2020, deferred tax has not been recognised in respect of tax losses of £1,171k (2019: Nil) as it is not considered probable that there will be future taxable profits available against which the losses could be utilised.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(CONTINUED)

11. Creditors

Amounts falling due within one year:

	<u>2020</u> £'000	<u>2019</u> £'000
Amounts owed to ultimate parent undertaking	392,394	363,705
Amounts owed to other Group undertakings	17	17
Other creditors	41	-
Derivatives – forward contracts	-	38
Corporation tax	-	1,011
	<u>392,452</u>	<u>364,771</u>

12. Called-up share capital

	<u>2020</u> £'000	<u>2019</u> £'000
Authorised 4,000,000 ordinary shares of £1 each	4,000	4,000
Alotted, called-up and fully paid 2,191,453 ordinary shares of £1 each	<u>2,191</u>	<u>2,191</u>

13. Revaluation reserve

	<u>2020</u> £'000
At 1 January and 31 December 2020	<u>1,109</u>

14. Share Premium reserve

	<u>2020</u> £'000
At 1 January and 31 December 2020	<u>76</u>

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(CONTINUED)

15. Hedging reserve

	<u>2020</u> £'000	<u>2019</u> £'000
At 1 January	-	8
Amounts recognised in the year	-	(9)
Amounts released to the profit and loss account	-	(1)
	<u>-</u>	<u>(2)</u>
Current year deferred tax on hedging reserve	-	2
At 31 December	<u>-</u>	<u>-</u>

16. Related party disclosures

As a wholly owned subsidiary, the company has taken advantage of the exemption in FRS 101 "Related Party Transactions" from disclosing related party transactions with other entities included in the consolidated financial statements of International Personal Finance plc.

17. Financial instruments

The company has only one category of derivative financial instrument, fair value through profit and loss. The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The derivative balances are measured at fair value and are considered level 1 financial instrument.

18. Contingent liabilities

The company has a contingent liability for (i) guarantees given in respect of borrowings made by the company's ultimate parent undertaking and (ii) guarantees given jointly and severally with the company's ultimate parent undertaking in respect of borrowings made by certain of its fellow subsidiaries to a maximum of £609,062,000 (2019: £842,889,000). At 31 December 2020 the borrowings amounted to £499,150,000 (2019: £673,351,000). No loss is expected to arise.

In late 2017 the European Commission (EC) opened a State Aid investigation into the Group Financing Exemption contained in the UK's controlled foreign company rules, which were introduced in 2013. In April 2019 the EC announced its finding that the Group Financing Exemption is partially incompatible with EU State Aid rules. In common with other UK-based international companies whose intra-group finance arrangements are in line with the UK's controlled foreign company rules, the company is affected by this decision. On 12 February 2021 HMRC issued a Charging Notice, following the introduction of new legislation in December 2020 empowering HMRC to issue such Notices in order to collect alleged unlawful State Aid. The Charging Notice requires a payment of £14,216,000 with respect to accounting periods ended 2013 to 2018, which was paid in February 2021, with a further amount of interest estimated at c. £1.3 million payable in due course. The payment of this amount is a procedural matter, and the new law does not allow for postponement. The company is appealing the Charging Notice on the grounds of the quantum assessed.

The UK government has filed an annulment application before the General Court of the European Union. In common with a number of other affected taxpayers, the company has also filed its own annulment application. Based on legal advice received regarding the strength of the technical position set out in the annulment applications, it is expected to be more likely than not that the payment of alleged State Aid that the Group has to make under the Charging Notice will ultimately be repaid and therefore no provision has been recorded in the Financial Statements.

INTERNATIONAL PERSONAL FINANCE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
(CONTINUED)

19. Post balance sheet events

On 7 April 2021, the company requested the redemption of the €246,092,000 redeemable preference shares in IPF Management Unlimited at par in advance of their mandatory redemption date. The proceeds of this transaction were used to repay amounts due to other group companies.

After the balance sheet date the company increased the investment in International Personal Finance Digital Spain, SAU by £14,636,000.

20. Parent undertakings

The immediate parent undertaking is IPF Holdings Limited.

The company, whose liability is limited to a maximum of the share capital issued, is registered and domiciled in the United Kingdom. The registered office of the company is located at Number Three, Leeds City Office Park, Meadow Lane, Leeds LS11 5BD. The ultimate parent undertaking and controlling party is International Personal Finance plc, which is the parent undertaking of the smallest and largest Group to consolidate these financial statements. Copies of that company's consolidated financial statements can be obtained from the Company Secretary, International Personal Finance plc, Number Three, Leeds City Office Park, Meadow Lane, Leeds LS11 5BD or on the Group's website at www.ipfin.co.uk.