


International Personal Finance

Taking action

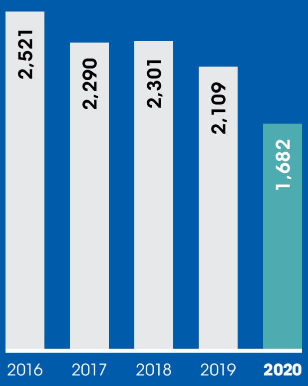
Annual Report and Financial Statements 2020

We make a difference in our customers' lives by providing access to affordable credit in a respectful, responsible and straightforward way. We play an important role in society serving our home credit and digital products to 1.7 million customers who might otherwise be financially excluded.

Resilient performance delivered in challenging times

Customers ('000)

1,682

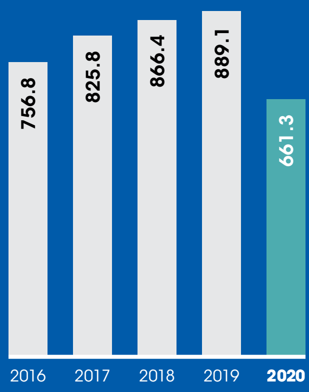


Credit issued (£m)

£772.2m

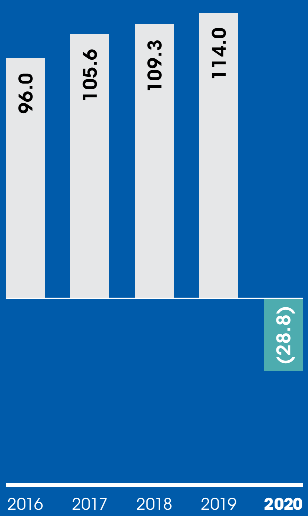
Revenue (£m)

£661.3m



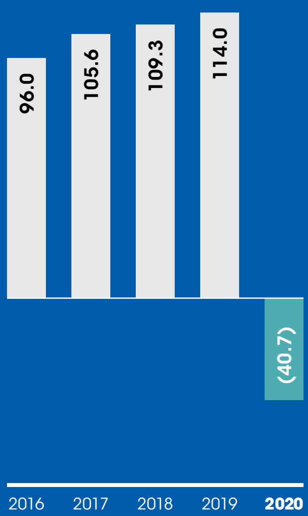
Pre-exceptional profit/ (loss) before tax (£m)

(£28.8m)



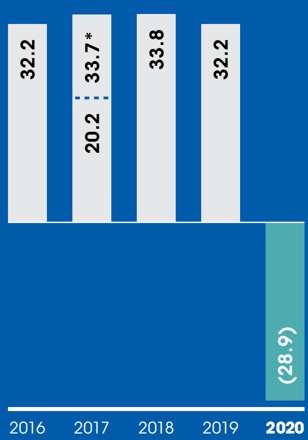
Profit/(loss) before tax (£m)

(£40.7m)



Earnings/(loss) per share (p)

(28.9p)



* 2017 pre-exceptional EPS

Alternative Performance Measures

This Annual Report and Financial Statements provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. To support this, we have included an accounting policy note on APMs on page 115, a reconciliation of the APMs we use where relevant and a glossary on pages 154 to 155 indicating the APMs that we use, an explanation of how they are calculated and why we use them.

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 2020 in order to present the underlying performance variance.

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

Taking action to protect our people, prioritise our loyal customers and protect our business

Covid-19 created an extremely challenging environment for us all. From the onset we responded quickly and took the strategic decision to protect our people, prioritise our loyal customers and protect our business. Thanks to the hard work of our dedicated teams we have continued to serve our customers responsibly, proven the resilience of the business and created a clear path to return to profitability and long-term growth.

Follow us on Twitter and Instagram @ipfplc

Find out more at www.ipfin.co.uk

A leading international lender of consumer finance

We provide affordable credit to customers with low to medium incomes who find it difficult to obtain finance from banks and who prefer a personal agent service or a quick online process to access credit. We serve our customers through our home credit and digital channels. We play an important role in extending financial inclusion to our customers so they can afford to buy one-off goods and manage the ups and downs of their household budget.

Our purpose is to make a difference in the lives of our customers by offering simple, personalised financial solutions.

▸ **Read about our values in the Chairman's statement on page 8**

▸ **Read about our social purpose on page 10**

A robust investment proposition

Notwithstanding the impact of the pandemic, we are a resilient, well-funded consumer finance business with a longstanding track record of meeting the needs of underserved customers responsibly. Our long-term success and financial performance is founded on the fact that we make a positive difference in the lives of our customers and we treat them fairly.

Highly responsible and financially inclusive

- We lend responsibly to customers who are underserved by banks and have a limited credit history.

1.7m customers

Resilient, geographically diversified business models

- Long-established home credit business model has proven resilient to economic downturns and digital lending business has operated successfully for more than 15 years.

11 markets

Effective risk management

- Successful track record of managing key risks including credit, regulation, competition and liquidity.
- Well-developed risk management framework and processes aligned to the strategic objectives.

37.4% impairment as a percentage of revenue

Strong financial profile

- Strong historical financial performance, robust balance sheet and refinancing completed in 2020 delivered funding foundation to support long-term growth.

55.4% equity to receivables

Experienced management team

- Highly experienced Board and senior management team with a broad range of financial services experience combined with international home credit and digital lending expertise.

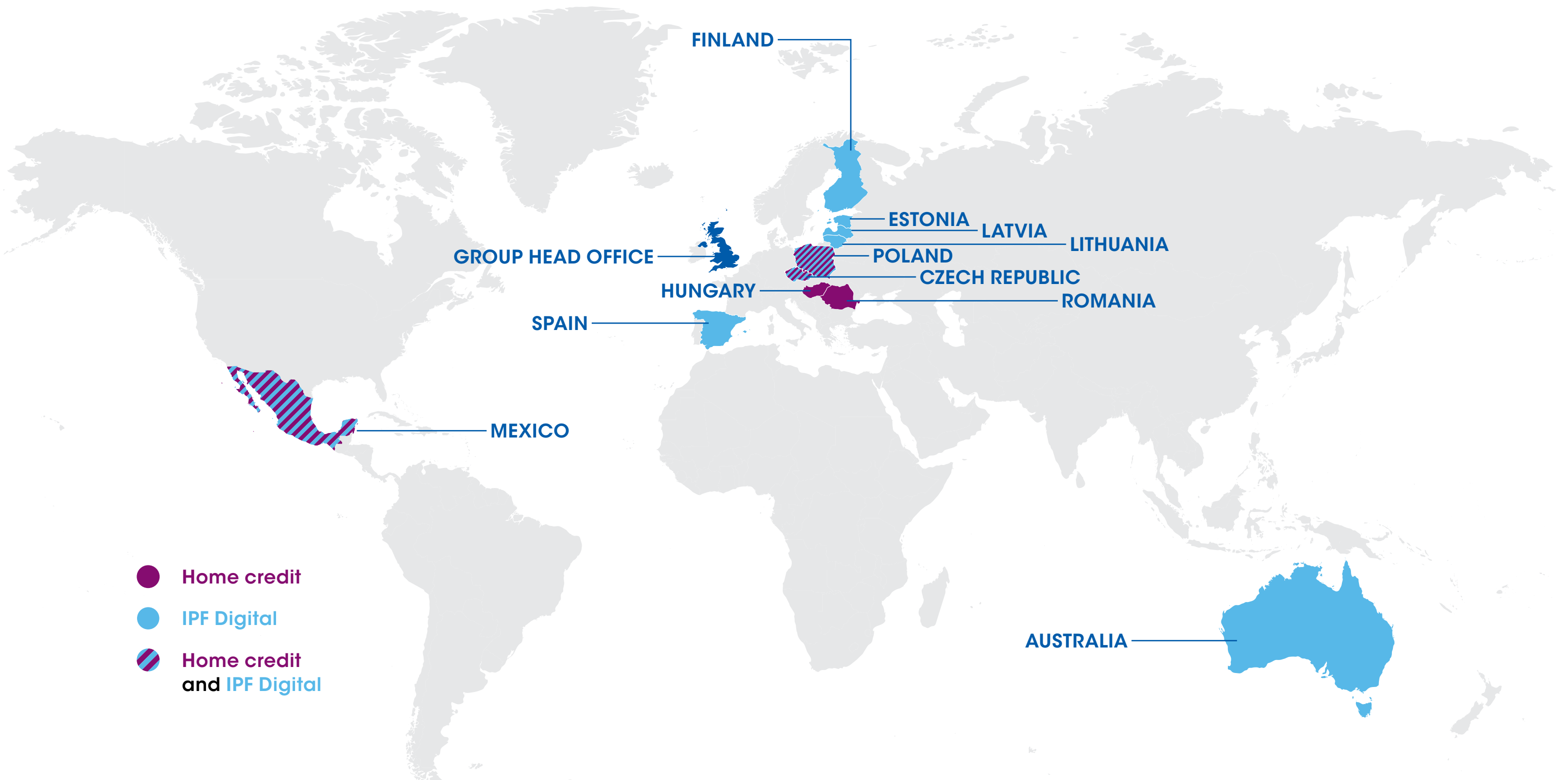
200+ years' experience in financial services

Clear path to rebuild and generate returns

- Cost base reduced significantly and implementing strategy to deliver return to full-year profitability and long-term growth.

£1bn profit since 2010

What we do



Home credit

We serve unsecured cash loans to customers who want to borrow small amounts for everyday necessities. Our agents, who visit customers at home within the communities they live, understand their needs in a way that is not possible for remote lenders. This regular personal touch differentiates us and drives customer satisfaction, retention and growth. Responsible lending is built into the business model. We carefully assess affordability and creditworthiness, and agents are rewarded primarily on collections so it is not in their interest to overburden their customers.

Products and features

- Home credit cash loans with agent service
- Money transfer loans direct to bank account
- Micro-business loans
- Home, medical and life insurances
- Provident-branded digital loans
- Weekly and monthly repayments
- Typical loan term around 18 months
- Typical loan value £500

Europe:
Poland, Czech Republic, Hungary, Romania

860,000 customers

£363m revenue

Mexico:

599,000 customers

£157m revenue

IPF Digital

Our digital businesses serve the growing number of consumers who want to access affordable credit quickly through an end-to-end digital service. It is quick and simple for customers to apply for and manage their finances conveniently on their mobile, tablet or PC, wherever they may be. Our innovative products, leading-edge digital capabilities and advanced credit assessment tools ensure a great customer experience which enhances retention. Our new mobile wallet with banking-like features and value-added services offers a competitive advantage within our customer segment.

Products and features

- Revolving credit line products
- Mobile wallet
- Instalment loans with terms up to three years
- Monthly repayments
- Fast online application and credit decision
- Average customer outstanding balance c.£1,100
- Customers served online and through selected sales partners

Established markets:
Finland, Estonia, Latvia and Lithuania

116,000 customers

£72m revenue

New markets:
Poland, Spain, Australia and Mexico

107,000 customers

£69m revenue

Taking action to protect the business

Our strong start to 2020 was interrupted by the onset of the Covid-19 pandemic. We took immediate action and despite the challenges, we are confident that we will emerge from this period in a strong competitive and financial position to fulfil the significant demand for affordable credit.

Effective Covid-19 response

The pandemic created a rapidly changing and challenging operational landscape in our markets. Supported by the Board, we mobilised immediately and took the strategic decision to establish three principles to guide decision-making through this turbulent period – to protect our people, to prioritise our loyal customers and to protect our business. With clear direction from the Group leadership team, market-based business continuity teams implemented plans, managed events and reported progress. This approach and the exceptional dedication of our workforce safeguarded the core assets of the businesses and allowed us to continue serving our customers within a culture of safety.

Safeguarding our people and customers

We deployed our Global Care Plan, a people-focused framework, to deliver personal protective equipment (PPE), safety and wellbeing guidance, support for home working and outplacement provision to those affected by redundancy.

We made it possible for customers to make repayments through our remote payment facilities if an agent was unable to visit their home. We also prioritised our lending to serve our most loyal, high-quality customers. Agents are central to customer relationships and, as such, our recovery from the pandemic. We took the decision to protect their reward package when customer visits were not possible. Together, these actions resulted in the close relationships between our loyal customers and agents remaining strong, which in turn delivered a robust collections performance as restrictions were lifted and most customers returned to repaying through their agent.

Effectively managing cash flow

As operations became impacted by people movement restrictions and temporary regulations, we implemented a highly effective, short-term liquidity management strategy. Credit settings were tightened significantly restricting new lending to our loyal, high-quality customers only. Actions were taken to manage costs and preserve cash including immediate reductions in capital investment, the elimination of all discretionary expenditure, the cancellation of the proposed 2019 final dividend, salary increases and the 2020 annual bonus scheme. In Q3, we undertook a rightsizing exercise to reflect the smaller scale of the business and focused on retaining frontline roles crucial to maintaining relationships with our loyal customers and so strengthening our ability to regrow when conditions allowed.

Our Covid-19 response priorities

Protect our people

Ensured the health and wellbeing of our colleagues by providing PPE and safety guidance to keep them safe, and transitioned more than 6,000 people to work remotely within two weeks.

Prioritise our loyal customers

Ensured our most loyal, high-quality customers had access to credit and implemented remote payment facilities so all customers could make repayments if their agent was unable to visit.

Protect our business

We entered the crisis with a strong balance sheet. We focused on managing liquidity to be in a position to recommence growth when the time was right.

What we have learned

Lessons learned will ensure we build a better and more sustainable business for the future.

- Our nimble approach enabled decisions to be made quickly to safeguard the business.
- We can work remotely reducing future office space, increasing paperless processes and lowering costs.
- Lessons learned in Europe were swiftly and effectively implemented in Mexico.
- Our new digital communications app 'MyNews' proved essential to inform and engage agents.
- Agile and rapid development of remote repayment facilities for customers improved customer service.
- Collaboration tools enhanced colleague interaction working remotely without the need to invest in business travel.
- More intensive internal communication resulted in colleagues remaining well-informed and engaged.
- Having close, longstanding relationships with our local communities enabled us to quickly help those in need.

▶ **Read more on our Covid-19 response actions in the Chief Executive Officer's review on pages 18-21**

▶ **Read more about the actions taken to protect cash flow in the Financial review on pages 32-36**

Covid-19 temporarily disrupted performance.

People movement restrictions

- Developed remote repayment facilities for customers
- PPE provided to ensure agent and customer safety
- Flexed commission package to support agent incomes
- Transitioned office-based colleagues to remote working practices

Temporary rate caps

- Significantly restricted lending
- Introduced revised product structures in Poland and Hungary
- Began collect-out of IPF Digital in Finland following tightening of existing rate cap

Temporary debt repayment moratoria

- Responded rapidly to moratoria requirements
- Proactively offered repayment holidays

Pandemic resulted in a smaller business in 2020

Return to growth plan delivered improving performance

No change to the core divisional strategy

Our return to growth plan is improving performance...

1

H1 2020

Protect our people, prioritise loyal customers and protect the business

Completed

2

H2 2020

Rightsize the business to accelerate recovery

Completed

3

2021

Rebuild the business

Underway

4

2022+

Deliver sustainable long-term growth

Future Focus

...and is expected to deliver a return to profitability and long-term growth

Taking action for our people and our customers

Protecting our people

The pandemic presented a unique challenge to ensure the safety of our employees and agents. Our Global Care Plan, distinct from everyday wellbeing activities, was deployed swiftly and tailored to the needs of each of our businesses. Our people have told us that they felt cared for during the crisis, and able to work safely and with confidence.

> **The protection of our people is encompassed in our Global Care Plan. Their welfare has been enhanced through regular contact, and physical and mental health guidance. A community of Care Hero volunteers also provided fantastic emotional and social support to those in need.**

Lyndsey Scott,
Chief Human Resources Director

Care Heroes across the Group volunteered to shop for and deliver groceries to vulnerable colleagues and customers.

Global Care Plan

Health guidance and PPE were provided to help prevent the spread of the virus with training to support the safe return to customer-facing and office working. We also provided online programmes to care for colleagues' physical and mental wellbeing and gave practical advice on keeping families safe and positive. Pulse surveys were conducted to stay connected, gauge feedback and ensure everyone's wellbeing needs were supported.

Care Heroes

Our Care Heroes, a group of devoted employee-volunteers, helped colleagues and customers feel supported. They focused on connecting small groups of employees to create buddy networks, hosted virtual coffee breaks, supported home schooling, organised volunteering events and provided practical help from weekly check-in calls to shopping for vulnerable employees.

Agent reward protected

To support our agent incomes when they were unable to visit customers and maintain the strong relationships they have with our customers, agents were paid the same level of commission for remote collections as they would have received for home collections.

Staying connected

Staying in touch helped keep everyone informed, reassured and protected. Our new digital communications app, 'MyNews', delivered health and safety information directly to agents and field staff, ensuring we could protect our teams and customers at a time of heightened risk. Senior leaders undertook weekly video messages and team briefings, and we collaborated effectively using virtual meeting technology.

▶ **Read more on our people on pages 41 and 42**

Prioritising our loyal customers

We took action to protect and support our customers. We developed remote repayment facilities, provided continued access to finance for our loyal, highest-quality customers and offered payment holidays for those impacted by the pandemic.

> **Extraordinary times reveal extraordinary people and the pandemic generated a huge response from our people to support our customers, neighbours and communities, with fantastic examples of volunteering, practical support and genuine kindness.**

Botond Szirmák,
Head of European home credit

Our Care Heroes sewed face masks for customers, medical workers and fellow agents.

Safe ways of working

We provided PPE so agents could visit customers safely and with confidence. When customer visits were not possible, agents and our call centre teams stayed in touch by telephone, email and text, helping to provide support and maintain relationships.

Digital innovation

Our digital expertise ensured the rapid development and introduction of remote repayment facilities in all our home credit markets, including digital collections and payments by SMS, debit card and in convenience stores, all of which helped customers continue to repay their loans while minimising personal contact.

Community care

Our Care Heroes organised practical and emotional support to vulnerable people. Colleagues in all our markets helped customers and members of their communities who couldn't leave home by shopping and delivering groceries. In Mexico, food packages were delivered to more than 225,000 people in conjunction with the National Food Bank Association. Colleagues in our European home credit and digital businesses sewed face masks for customers, medical workers and fellow agents.

Supporting mental wellbeing

Some of the advertising budget in our Hungarian business was diverted towards a public service TV campaign which saw a well-known psychologist providing advice on tackling emotional distress. In Romania, we donated 200 new tablet computers to support home schooling and a number of colleagues set about facilitating educational lessons for customers' children.

▶ **Read more about customer engagement on page 40**

Delivering in tough times

Stuart Sinclair
Chairman

In the extraordinary times we lived through in 2020, our primary concerns during the pandemic were with safeguarding the wellbeing of our colleagues, and to ensure we continued to serve our customers as safely and completely as local conditions and regulations allowed. We also took immediate action to manage liquidity. I'm pleased to report that we adapted well, despite the significant operational challenges we faced in all our markets.

Focus on care

As the pandemic evolved, we introduced our Global Care Plan. There are so many uplifting examples of how our people's wellbeing and financial stability were addressed in meaningful ways as well as members of our team going the extra mile to support customers. We were quick to provide leadership as thousands of people moved to work from home in a matter of days, including volunteers delivering IT equipment to get them set up. This was no easy feat and I am amazed at how this was accomplished so quickly. At a time when many agents were unable to visit customers and collect repayments, we took the strategic decision to support their incomes. We also took significant steps to protect the business financially, focusing our lending on serving our highest-quality customers and immediately reducing capital and discretionary expenditure. As my colleague Cathryn Riley highlights elsewhere, the Remuneration Committee was also involved from the outset. Most notably, it was decided in April that management's offer of receiving no annual bonus for 2020 should be accepted and acknowledged as a significant gesture of solidarity with other colleagues.

Our core values of being responsible, respectful and straightforward were at the heart of our responses. Sadly, we lost a number of colleagues to the virus and on behalf of the Company, I offer our heartfelt condolences to their families, friends and colleagues. I very much hope that our values-led culture and the ways in which we responded to the pandemic has strengthened the resilience and adaptability of our people and will have a lasting, beneficial impact on engagement, productivity and the recovery of the business to continue serving our customers well.

Financial inclusion

This is my first statement as Chairman of IPF and I am delighted to have taken on this role. The Group has many strong attributes, especially its purpose to serve people who are very often excluded from the mainstream credit market – something very close to my heart. I have a lifelong interest in people's livelihoods and ways to improve them, having worked in the UN, lectured in economics and written a number of books on developing economies. I also served for six years on the council of The Royal Institute for International Affairs (Chatham House) whose mandate is to develop policy to help growth and welfare across the world, and spent a similar period serving on the Provident Financial Group board – a company which serves a broadly similar customer base in the UK to that of IPF's businesses.

Beginning this role during the pandemic meant the onboarding process was different from the norm with virtual meetings and inductions, but it proved highly effective for both Richard Holmes, my fellow new starter, and myself. I was able to join agents and carry out some Negocio customer visits in Mexico before lockdown began. I very much look forward to visiting other markets when travel guidelines allow.

My induction has confirmed my belief of the importance of bringing financial inclusion to people of modest means, wherever they live. This may be remotely or face to face, both of which clearly have a role to play. Our purpose is to make a difference in the lives of our 1.7 million customers by providing easy-to-access and understand credit and insurance to all customers, even in tough times, and this is something every finance company should aspire to.

Challenging performance

Covid-19 created an extremely challenging trading environment but thanks to our dedicated teams and resilient business model, we adapted to continue serving our customers and began the path to recovery and longer-term growth. We made a good start to 2020 but the impacts of the pandemic resulted in a pre-exceptional loss before tax of £28.8 million, in addition to an exceptional loss of £11.9 million (statutory loss of £40.7 million). Taking the decision to tighten credit settings significantly resulted in a much smaller business, but I am very pleased to report that as lockdown restrictions were relaxed and collections effectiveness recovered, we started to increase credit issued to our higher-quality customers and the business returned to profitability in the second half of the year. Having refinanced the business successfully in November, we have the financial foundation on which we will continue to provide credit responsibly to underserved consumers, rebuild the business and deliver value to all our stakeholders. Further details are set out in the Operational review on pages 26 to 31.

Dividend

The Board considered the financial performance in 2020 and concluded that it is not appropriate to propose a final dividend; however, it remains committed to paying a progressive dividend in the future. The Board will review dividend payments regularly, taking into account the financial performance and financial position of the Group and we intend to recommence dividend payments as soon as circumstances permit.

Our Board

In March, both Richard Holmes and I were appointed as non-executive directors. I succeeded Dan O'Connor as Chairman following election at the 2020 AGM. A major vote of thanks is of course due to Dan for his many years of effective leadership. Richard Moat, who joined the Board in 2012, and Cathryn Riley, who joined in 2014, will not be seeking re-election at the 2021 AGM in April and will stand down from the Board as non-executive directors at that time. We are pleased to announce that Richard Holmes will replace Richard Moat as the senior independent director and Chair of the Audit and Risk Committee, and Deborah Davis will replace Cathryn as the Remuneration Committee Chair with effect from the conclusion of the 2021 AGM, subject to their re-election as directors. On behalf of the Board, I would like to thank Richard and Cathryn for their services, insight and contribution during their time at IPF and I am confident that Richard Holmes and Deborah Davis will prove to be worthy successors.

Stakeholder engagement

This was Bronwyn Syiek's second year as our Workforce and Stakeholder Engagement Director and while face-to-face contact was difficult in 2020, it is gratifying to see progress in many areas of our stakeholder engagement agenda. We report on our key actions and how we considered stakeholders in Board decisions on pages 37 to 46.

Outlook

While the economic environment remains uncertain, we enter 2021 with a strong balance sheet and funding position, and our leadership team, employees and agents have proven resilient to the challenges posed by the pandemic. I believe the Group has a great future ahead of it having shown operational execution skills of a high order, and increasing innovation in its DNA. The business model is highly relevant to the lives of many thousands of consumers and plays an important role in enhancing the lives of people of modest means. I am confident that we will continue to serve our customers well, and return to profitability and long-term growth.

Stuart Sinclair
Chairman

Our purpose

What we do and why we do it

We make a difference in the lives of our customers by offering simple, personalised financial solutions.

Our strategy

Deliver a great customer experience to generate strong returns in European home credit and reinvigorate growth in Mexico home credit and IPF Digital. In response to the pandemic, our return to growth plan is focused on rebuilding the business in 2021, and returning to longer-term growth.

▶ **See pages 22 to 23**

Our values

Guide our actions and the way we do business.

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

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

We are straightforward
Being open and transparent in everything we do.

Stakeholders

Considering stakeholder views and needs in our decision-making.

Responsible lending principles

Lending responsibly is core to the long-term sustainability of the business and is one of our key values underlying everything we do.

Making a valuable contribution to society

▶ **See pages 10 to 11**

Our positive role in society

We play a positive and important role in society by providing consumers with access to affordable credit, which they would find difficult to obtain from banks and mainstream lenders. We do this by responsibly lending small sums, offering forbearance and repayment flexibility, and the opportunity to develop a credit profile. Despite the pandemic, credit remains an important social need and we will continue to provide access to transparent and affordable credit in a responsible, inclusive and sustainable way.

Credit market structure

Banking institutions

Central banks

Investment

Retail and commercial

Non-bank financial institutions

Savings and loans

Insurance

Credit unions

We are well positioned to provide an entry point to mainstream consumer finance, serving customers with regulated credit products

Grey market

Unregulated lenders

1. Providing access to regulated credit

We provide access to regulated finance in a transparent, responsible way giving consumers with low to medium incomes an alternative to the unregulated practices of the "grey" market. We have built a reputation for responsible lending providing customers with financial products and services that are tailored to their circumstances, supporting them if they face difficulties and creating opportunities to build a credit profile.

65% home credit customer retention

61% IPF Digital customer retention

2. Financial inclusion for underserved consumers

We help underserved consumers access affordable credit. For many of our customers a home credit loan is their first experience with the regulated financial market. Our approach is to lend smaller amounts over shorter periods of time and as customers prove their ability to repay their loan, they build a positive credit history in the financial market, enabling more credit choice in future – including digital products.

57%* of consumers said we support financial inclusion by helping customers create a credit history profile

* IPF Reputational Tracking Survey 2020

3. Contributing to the wider economy

We are an active corporate citizen with more than 22,000 employees and agents contributing to the wider economy through taxes and spending on goods and services. We also invest in financial skills development to enable customers and the general public to engage with the financial services sector with more confidence, and make responsible, informed decisions about their long-term financial planning.

£148m† Total taxes paid

£678,000 Investment in our communities

† Comprising £80 million taxes paid (representing a cost to the Group) and £68 million taxes collected on behalf of governments such as payroll taxes and employees' social security contributions. The £80 million taxes paid excludes a refund of c. £45 million of tax and interest received from the Polish Tax Authority in August 2020.

The foundations of our business and social approach

Ethics

Our culture requires ethical behaviour and puts our customers' interests at the heart of everything we do. As part of the Group's Code of Ethics, all our people and business partners must act with integrity and comply with the law at all times. This involves conducting ourselves in a way that demonstrates our core values of being respectful, responsible and straightforward. The Code is communicated to all employees and agents, and is common across the business regardless of location, function or employee level. We bring this to life through our International Ethics Week and all employees and agents complete business ethics training during their induction and once a year thereafter.

96%

employees completed business ethics training

94%

agents completed business ethics training

> **Ethics is extremely important and should be discussed regularly to ensure our responsible lending principles are always met.**
>
> Mari Merilo, Customer Care Leader, IPF Digital in Australia

Responsible lending principles

Ethics and our responsible lending principles go hand in hand. Behaving ethically and lending responsibly are core to the sustainability of our business model and embedded in everything we do from strategic decision-making and product design to millions of everyday interactions we have with customers each year.

Advertising and marketing
We advertise our products in a clear and appropriate manner.

Affordability
We thoroughly assess a customer's ability to repay the loan. We won't offer another loan to a customer if we do not think they will be able to repay it.

Product suitability
We provide customers with products that are best suited to their needs.

Pricing
We offer customers fair and transparent pricing. Late payment fees, if used, are designed to re-engage with customers rather than as a primary revenue stream.

Customer communications
We communicate with customers in a clear manner and uphold their right to confidentiality. We select and train our agents so that they can serve customers to a high standard.

Collections and debt recovery
We collect loan instalments in a responsible manner and do what we can to avoid affecting a customer's credit history adversely. In the case of external debt recovery we only co-operate with reputable agencies.

Responsible lending in action

▶ For more about how we protected our people see page 6

▶ For more about how we've protected agent commission see page 4

Our customers and their journeys

Being a responsible lender starts with putting the needs of our customers at the centre of everything we do. We specialise in serving people with low to medium incomes who find it difficult to obtain finance from banks because they have a limited credit history. We engage regularly with customers through focus groups and surveys to ensure we serve credit in ways that suit their needs and financial circumstances.

Home credit

Personal service, trusted relationships

Our customers are looking for simple, small-sum loans with transparent costs and affordable repayments to help them manage the ups and downs of their weekly budget, or to buy one-off items at the time they need them. Our customers have low, fluctuating incomes and limited credit history, which means they are often financially excluded by banks. They value the high level of contact and personal, face-to-face service provided by agents as well as the convenience of being served in their home. Customers also like the fact that we offer forbearance and work with them to reschedule payments to suit their income profile if they have difficulty repaying their loan.

Typical customer features

- Low, fluctuating income
- Limited credit history
- Prefer agent service
- Need to manage finances carefully
- Seek flexibility
- Employed or with a regular income

How customers use their loans

- Smooth the weekly budget and unexpected expenses
- Healthcare
- Household appliances and repairs
- Education and school uniform
- Family celebrations

IPF Digital

A great customer experience every time

The rapid digitisation of our day-to-day lives has resulted in an increasing number of consumers wanting to borrow online. Our digital customers are looking for a fast and efficient service from a speedy application and decision for credit in minutes, to being able to manage their finances online at any time. Our innovative digital offering of a revolving credit line, mobile wallet and instalment loans meets the needs of these consumers with an end-to-end digital customer journey and positive credit experience.

Typical customer features

- Medium income
- Like to shop and borrow online
- High smartphone use
- Existing credit history
- Seek flexibility

How customers use their loans

- Holidays
- Home improvements
- Healthcare and medical expenses
- Household goods

All our products, from a home credit loan to a digital credit line offering, support customers who make regular repayments to build a positive credit history.

Customer journeys

Home credit

Attracting customers
- Leading, well-recognised brand
- Word of mouth recommendation
- Targeted and responsible marketing – tv, radio and digital
- Repeat lending offers to existing customers

Loan request
- Simple and straightforward
- Online decision in principle
- Data-driven and face-to-face checks
- Transparent cost information
- Responsible repeat lending offers to existing good-paying customers

Credit scoring
- Careful affordability and creditworthiness assessments
- Application and behavioural scorecards
- Credit bureaux
- Face-to-face meeting with agent
- 'Low and grow' approach – customers start with small loans
- Help build credit score to access future credit

Loan issued
- Agent service: cash loan delivered to customer's home
- Money transfer: loan delivered to customer's bank account
- Agents paid commission primarily on collections

Repayments and managing arrears
- Agent-customer relationship supports regular repayments
- Flexible approach – rescheduling repayments to suit their income profile if they have difficulty repaying their loan.
- Ongoing contact – face-to-face and central call centres
- Sale of non-performing loans to reputable debt recovery operations

IPF Digital

Attracting customers
- Digital marketing strategies and traditional media
- Customer relationship management activities to generate repeat business

Loan request
- Simple, straightforward application process
- Transparent cost information
- Online or via sales partners including online brokers and comparison sites

Credit scoring
- Rapid, centralised, credit scoring
- Credit bureaux
- Internal databases and statistical models
- 'Low and grow' approach – customers start with small loans
- Affordability checks prior to approval

Credit issued
- Money transferred to customer's bank account
- Customer notified by text on transfer

Repayments and managing arrears
- Active communications process to remind and encourage repayment
- No refinancing or extension of delinquent loans
- Final written demand at 60-90 days past due depending on local regulations
- Sale of non-performing loans to reputable debt recovery operations

Creating value for our stakeholders

By making a difference in the lives of our customers with simple, personalised financial solutions, we generate further long-term value for all our stakeholders.

What we do

We specialise in lending to customers that banks find difficult to serve and often overlook. We are successful because of our long history of close customer relationships and simple, transparent credit products which are tailored to meet our customers' needs and financial circumstances.

Key resources

Talented people

Our ability to serve our customers well relies upon having highly engaged, skilled, committed and knowledgeable employees and agents who adhere to our values and ethics. This allows us to collaborate fully and earn and maintain the trust of our stakeholders. Our people are also the most important ambassadors of our operations, values and are the guardians of our reputation.

Technology

Our forward-thinking approach and scalable technology is fundamental to remaining at the forefront of growing digital lending, making robust credit decisions, driving efficiency through digitisation of traditional processes and communicating progressively with our field-based people. Leveraging data capabilities will also unlock significant opportunities.

Strong financial profile

We maintain a strong balance sheet and manage our financial resources effectively to sustain the business, fund investment in growth and modernisation, and to generate good returns for our investors. Our business model is based on borrowing long and lending short, which allows us to manage liquidity in challenging economic times.

Well-known brands

Our brands are well known and trusted by our 1.7 million customers in 11 markets.

What makes us different?

Being the only business to offer both home credit and digital loans in our markets, we have a differentiated proposition from that of other credit providers.

Home credit

We serve small-sum cash loans to those on lower incomes and our agents have high levels of contact with their customers to help them stay in control of their credit. We carefully assess customer creditworthiness and lend responsibly with our 'low and grow' strategy, offering new customers smaller loans until they demonstrate their ability to repay a loan. The home credit model with its large agent infrastructure is very hard to replicate.

IPF Digital

Our digital business model meets the needs of a growing number of customers in our consumer segment who want affordable credit that can be managed online. We offer innovative and flexible products, with a great customer service.

▶ For more about our customers, see pages 12-13

▶ For more about stakeholder engagement, see pages 37-46

How we deliver

Our returns are generated by lending responsibly while managing the business efficiently. Our home credit businesses generate 79% of Group revenue, primarily through the agent service model. IPF Digital is a less mature and evolving business, and contributes 21% of revenue.

Value creation

We create value by building close, long-term relationships with our customers. As a trusted, responsible and successful business, we also make a valuable contribution to the communities we serve.

Our customers

We enable our customers to access affordable credit for the things they need.

c.£500

credit issued per home credit loan

Employees and agents

We help our people develop and have a fulfilling career in our organisation.

22,000

people across the business

Regulators and legislators

We engage with regulators to support sustainable financial markets.

45

sector association memberships

Communities

We enable financial inclusion and invest in our communities.

£678,000

invested in our communities

Shareholders and investors

A successful business with a long track record of generating returns, albeit adversely impacted by Covid-19 in 2020.

▶ For more about our multi-channel strategy, see pages 22-23

▶ For more about our principal risks, see pages 48-56

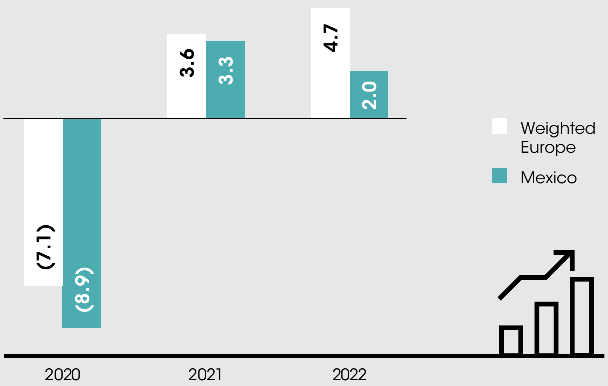
Markets trends and opportunities

Our short-term and longer-term strategic priorities have been influenced by the Covid-19 pandemic. We provide an essential service in society giving our consumer segment access to credit where other lenders do not. We plan to build on our market leadership positions and take the opportunities to deliver longer-term growth, whilst continuing to manage market risks.

Demand for consumer credit will still exist

- The fast-paced growth of unsecured lending in recent years stalled during 2020.
- The pandemic reduced consumer confidence, household spending and some financial institutions are now less willing to offer credit. Many central banks lowered reference interest rates to encourage consumption.
- Demand is expected to be driven largely by essential purchases and to increase following the pandemic.
- As competition from banks reduces, more customers are expected to move into our consumer lending segment.

GDP forecasts (%)



Source: Citibank and European Commission economic updates

Our response

We reduced credit issued significantly as a result of the pandemic, but our robust collections performance allowed us to increase lending in the second half of 2020. Credit issued in 2021 to date is encouraging despite restrictions on people movement having an impact on demand, and we expect to progressively rebuild the receivables portfolio as the year unfolds.

Related principal risks

8 10 11

Reduced competition

- High levels of competition at the start of 2020 eased slightly from Q2 as some competitors scaled back operations or withdrew from lending in response to Covid-19.
- We expect our customer segment to be underserved in the coming years due to reduced competition.
- Banks have cut back on serving customers at the higher end of our target consumer segment in line with previous recessions.

Key competitors

Banks

Digital lenders

Home credit

Credit unions

Pawn brokers

Point of sale finance

Payday lenders

Our response

Reduced levels of competition are expected to provide good organic opportunities to grow lending in our home credit and digital operations. We expect to gain market share and will continue to develop new products and value-added services to better respond to customer needs and gain a competitive edge.

Related principal risks

2

▶ For more on our principal risks, see pages 48-56

Strong outlook for digital lending

- Increasing preference for digital solutions is driving the continued growth in digital lending.
- The take-up of integrated credit and payment offerings is accelerating.
- The digital lending market is expected to remain strong with the continued adoption of digitisation by consumers driven by smartphone usage.
- Increasing customer demand for personalised offers and services will further strengthen the use of data.

1 in 5

Western and Central European consumers use e-wallets

$111bn

Estimated value of European mobile wallet market by 2023

Sources: Capgemini 2020 and Finanso

Our response

We will continue to deliver differentiated propositions, including the roll out of our mobile wallet, to enable customers to benefit from end-to-end digital credit, payment and value-added services. We will also provide home credit customers with the ability to migrate to digital offerings as they improve their credit standing including hybrid options.

Related principal risks

2 4 6

Regulation

- Regulatory risk will continue.
- Regulators and governments introduced a range of temporary rate caps and moratoria that impacted our business during the pandemic.
- We expect regulators and legislators to remain focused on the consumer credit sector.
- In some of our markets, new regulations have driven down prices and restricted loan values that customers are able to borrow.

Regulators' areas of interest

Price

Affordability

Responsible lending

Regulatory compliance

Social inclusion

Our response

We always adapt our business to be compliant with new regulations. We will continue to engage with regulators to ensure they better understand our business, the needs of our customers and the key role we play in society. We also remain committed to demonstrating the consequences of overly stringent regulation on consumers and the market.

Related principal risks

1 3 7

Taking action to protect our business

Gerard Ryan
Chief Executive Officer

> **I have so much admiration for the way my colleagues reacted to the impacts of the pandemic and adapted their working practices to do business in the 'new normal'.**

How well did you manage the business through the challenges of 2020?

In a word, admirably, but let me explain why I think that is the case. As we entered 2020, we had a really good story to tell. All the hard work we had put into improving our Mexico home credit business was paying off and our portfolio quality had improved significantly; IPF Digital had delivered its maiden profit, and our European home credit operations were performing as planned. And then Covid-19 happened.

Our first action was to develop a phased plan which is illustrated on pages 20 and 21. This guided us through the initial storm created by the pandemic and will drive our recovery to return to full-year profitability and future long-term growth. Our top priorities in the first phase were to take care of our people and prioritise our loyal customers to ensure that, above all else, they were safe. We also implemented a highly effective liquidity management strategy to protect the business. Everything we did and every decision taken flowed from these principles.

In mid-March, we significantly tightened our scorecards, reduced the amount of credit we were issuing and focused the whole business on conserving cash and liquidity. At the same time, we made arrangements for 6,000 colleagues to be able to work remotely instead of at our head offices and branches. This in itself was a huge feat. By the end of April, we were issuing approximately one third of our planned volume of business and our collections were being impacted by freedom of movement restrictions and debt repayment moratoria.

The second quarter proved to be very difficult as we came to terms with the realities of life under Covid-19, but I have so much admiration for the way my colleagues reacted to the impacts of the pandemic and adapted their working practices to do business in the 'new normal'. By the time we got to the half year, we had a new operating rhythm, revised work practices to ensure that our agents could meet their customers safely, introduced options for customers to make repayments remotely if they couldn't see an agent, and office and branch-based colleagues were working effectively and efficiently in a remote environment.

Several months later I can now look back in a more dispassionate way and view the work of my colleagues as a triumph for our business. Today we may be a smaller business, but we continue to be focused on our core purpose, to provide finance for people who are either underbanked or underserved, and we have done this throughout the pandemic. The financial impacts of the crisis have been severe in 2020 and will reverberate further in 2021 and 2022 as we rebuild the business. However, there is one thing that has become obvious as a result of the pandemic, which is that a business like ours is absolutely essential in society, and the customers we serve need and are deserving of finance to make their lives better.

Has the pandemic changed the Group's long-term strategy?

There is no doubt that the pandemic has had a significant financial impact on our business, but it is evident that our business model has proven highly resilient and sustainable amid such unprecedented challenges. Our underlying strategy has not changed but, in light of the pandemic, we redefined our core strategic goals to safeguard the business and develop firm foundations to return to profitability and longer-term growth. We successfully executed phases one and two of our plan, and this supported the delivery of the improved operational and financial performance in the second half of the year. We are now focused on phase three to rebuild the business and enable longer-term growth.

As to our longer-term strategy, we will remain true to our core purpose and that is to make a difference in our customers' lives by providing simple, personalised finance. We will continue to invest in growing our digital operations and our home credit business in Mexico, and I expect our European home credit businesses to return to delivering good levels of profitability and returns. The way we serve our customers through our home credit and digital channels will be largely unchanged. We will continue to offer instalment loans and revolving credit, and our new product development will focus on mobile banking-type applications and improving the customer experience.

The pandemic resulted in a step-up in intensity of stakeholder engagement to ensure we remained in touch and actively supported those that matter most to our business.

Were you able to progress any planned strategic developments in 2020?

Yes, despite the challenges of the pandemic, we rolled out our new mobile wallet in Latvia and launched a digital offering in the Czech Republic. We continued the digital transformation of our home credit operations, completing the roll-out of the sales and collections functionality of our MyProvi mobile app for agents in Europe and commenced the introduction of the first apps in Mexico. Our new MyNews mobile communications app, which was crucial in delivering health and safety information to agents and field staff during the pandemic, has so far been rolled out to all agents and most employees in Europe and 8,000 agents and employees in Mexico.

What were the key lessons learned in 2020?

We learned many lessons, some of which were painful to experience, but it is important to take these learnings and make sure that we build a better and more sustainable business as a result.

We learned that we can be a nimble business and work remotely which means we will have a much smaller office footprint in future delivering environmental and economic advantages. We also learned that we can facilitate remote payments from home credit customers when they are unable to see their agents, and we are now accelerating technology investments to improve our customer experience. One of the most painful lessons learned was that we needed to rightsize the business given our reduced scale of operations, and we removed around 1,200 roles. It is essential that we do not allow the benefits of this painful experience to be eroded over the coming years, and we will ensure the cost base and our ways of working are more efficient than they were in the past.

Lessons learned around communication will also stay with us. Very quickly, many of us were forced to change the way we work and more intensive internal communication with our employees and agents proved critical to ensuring their safety, wellbeing and ability to continue to serve our customers. For the first time, my senior leadership team and I posted weekly videos to everyone across the Group and we are now collaborating using virtual technology. Where international business travel was an everyday occurrence before the pandemic, we have also proved that we will not need to invest in as much business travel going forward.

Does the restructuring imply that the Group will be a permanently smaller business?

We expect to regrow the business to be larger than it was before the pandemic, but we will do so in a way that means we are more cost effective and efficient. The reduction in scale was a reflection of the new reality after Covid-19. It is my intention that we should not lose the benefits of this cost reduction and as we rebuild the business in 2021 and beyond, our focus will be on maintaining the new efficiencies that we have created.

Has the pandemic affected the competitive environment?

It is very clear that the pandemic has affected all areas of competition in our sector. Banks who previously competed for our best-quality customers have reined in their risk appetite and are likely to be less evident in our sector for some time to come. We also expect some smaller competitors to exit the industry as a result of increased regulation and the financial difficulties arising from the pandemic. Although we too have been adversely impacted, our business model is robust and the strength of our balance sheet following the refinancing mean that we will be able to take advantage of the weaker competitive landscape. In addition, it is likely that many consumers previously served by banks will have damaged credit records and may therefore become potential customers for our business.

How do you feel about having refinanced the business?

I am delighted the refinancing is complete and the new Eurobond is in place for the next five years, thus giving us a firm foundation to regrow the business. Market turmoil meant a higher interest coupon was to be expected and we will be working to reduce this cost at the earliest possible opportunity. I am confident that in a normalised market environment, a business with our track record of consistent profit delivery and with such a well-capitalised balance sheet should pay an interest coupon which is significantly lower than the recent Eurobond.

How is the regulatory landscape and are there impending changes ahead?

The regulatory changes in 2020 were driven by governments and regulators reacting to the pandemic. As a result, we saw temporary moratoria implemented across several of our markets and, in a number of instances, reduced interest rate and total cost of credit caps. I fully understand the requirement for these changes, and I think that they were the right thing to do to protect consumers during such a difficult period. Our businesses have coped well with these changes and we have worked closely with regulators to ensure that we implemented these new rules in the intended manner. In addition, we also worked with our customers to ensure those most directly impacted by the effects of the pandemic could use payment holidays so that their contracted loan repayments did not become an issue for them.

Do you think the temporary regulations introduced during the pandemic will become permanent?

The legislation relating to the various debt repayment moratoria and rate caps introduced during the pandemic make it clear that they are temporary regulations. The reduced APR cap in Hungary ended at the close of 2020, as expected. The extension to the moratorium in Hungary and the temporarily reduced cap on non-interest costs of consumer credit in Poland have been driven by governments managing the longer-than-expected impacts of the pandemic. We can not predict the future but these regulations are temporary in nature and I expect they will expire according to the legislation passed.

Has Brexit had an impact on your operations?

We don't expect Brexit to have a significant impact on the business, nor do we face the ongoing uncertainties that other UK-based financial services companies face because we are regulated in our individual subsidiary markets, not in the UK. Our assessments focused on three Brexit-impact areas relating to withholding tax, the cross-border movement of people and information flows. Certain intra-group payments are now subject to withholding taxes which we estimate will be around £1 million to £2 million per year. On people movement, there are provisions for visa-free travel within the Schengen area and this will enable UK-resident colleagues to undertake work in the EU. We have also long held a sponsorship licence, which will enable us to continue recruiting talent from outside the UK. Finally, Brexit does not materially impact information flows from a data protection perspective, and we will continue to ensure the highest level of protection.

Our return to growth plan

H1 2020

1

Protect our people, prioritise our loyal customers and protect the business

Protect USPs using guiding principles

People protected

-

Loyal customers retained

-

Liquidity preserved

✓ Completed

H2 2020

2

Rightsize the business

Reduce the cost base and prioritise investments

Cost base materially reduced

-

Closed/merged businesses to improve returns

-

Step-up in collections enabled increased sales

✓ Completed

What is the outlook for IPF in 2021 and beyond?

I guess like many people I was glad to close the door on 2020! We learned a lot and encountered significant challenges but also demonstrated that we have a resilient business and that we have a fantastic group of colleagues who are committed to serving their customers well and growing the business. As we enter 2021, we are a smaller but more nimble, cost-effective business, and we have many opportunities to regrow to be larger than we were before the pandemic. We will continue to deliver a positive customer experience and expand our product range to generate strong returns in our European home credit businesses. These returns will be used to maintain our investment in improving the customer journey and operational efficiency while, at the same time, reinvigorating growth in Mexico home credit and IPF Digital, and delivering progressive returns to our shareholders.

> **"Acting responsibly is a fundamental part of our strategy and the foundation on which we can deliver value and benefits to our stakeholders."**

2021

3

Rebuild the business

Progressive improvements in collections and sales to execute a V-shaped recovery

Continue performance trajectory

-

Be financially strong

-

Enable longer-term growth

✓ **Underway**

2022+

4

Longer-term growth

Strengthen market position with hybrid digital / home credit offerings

Add digital offering to European home credit

-

Develop Mexico's underserved consumer lending segment

-

Build market share in IPF Digital's new markets

Future focus

Performance against our strategy

Our strategy centres on delivering a positive customer experience and expanded product range in European home credit to enable these businesses to revert to delivering good levels of profitability and returns. These returns will be used to maintain our investment in improving the customer journey and operational efficiency while reinvigorating growth in Mexico home credit and IPF Digital. Our underlying strategy has not changed, but in light of the pandemic, we redefined our strategic goals to safeguard the business and develop firm foundations to return quickly to profitability and long-term growth.

Reinvesting in growth

Generating returns

Strategic Priorities	2020 Progress	2020 Challenges
IPF Digital	• Rolled out mobile wallet in Latvia. • Significant reduction in costs. • Merged two digital businesses in Poland to create operational synergies.	• Lower customer numbers, credit issued and collections due to Covid-19. • Tightening of rate cap in Finland resulted in decision to collect out receivables portfolio. • Significant rightsizing programme.

Mexico home credit	• Operational actions taken in 2019 delivered improved collections and credit quality in Q1 2020.
	• Progressed digitisation of operations:
	  • MyProvi agent mobile app pilot completed.
	  • 8,000 colleagues using MyNews communications app.
	• Covid-19 lessons learned in Europe guided pre-emptive action in Mexico.
	• Significant reduction in costs.
	• Improving collections and credit issued in H2 2020 providing foundation for growth.
		• Lower customer numbers, credit issued and collections due to Covid-19.
		• Significant rightsizing programme.
		• Four weaker-performing branches closed.

European home credit	• Good performance and continued portfolio quality delivered in Q1 2020.
	• Further progressed digitisation of operations:
	  • Roll out of MyProvi sales and collections app completed.
	  • MyNews communications app being used by all agents.
	• Launched digital offering in Czech Republic.
	• Significant reduction in costs.
	• Improving collections and credit issued in H2 2020 providing foundation for growth.
		• Lower customer numbers, credit issued and collections due to Covid-19.
		• Temporary rate caps and debt repayment moratoria reduced economic returns.
		• Significant rightsizing programme.

Our strategic enablers

Focus on our front line	Utilise our internal talent

▶ **Read more on our 2020 Key performance indicators on pages 24-25**

Challenges and risks relating to Covid-19 impacts on the business

Strategic KPIs achieved in 2020

223,000	-55%	-26%
Customers	Year-on-year credit issued	Year-on-year revenue
44.2%	**50.1%**	**-£6.0m**
Impairment % revenue	Cost-income ratio	Loss before tax

2021 Focus

Significant long-term growth opportunity

- Rebuild receivables portfolio and accelerate new customer growth.
- Improve credit quality.
- Maintain lean cost base as regrow by improving efficiency.
- Prove mobile wallet in Latvia.
- Deliver Finland collect-out plan.

599,000	-40%	-29%
Customers	Year-on-year credit issued	Year-on-year revenue
33.7%	**45.6%**	**£3.5m**
Impairment % revenue	Cost-income ratio	Profit before tax

Deliver well-controlled steady growth

- Increase credit issued and new customer growth.
- Further improve collections performance.
- Roll out collections functionality in MyProvi agent mobile app.
- Focus on branch profitability and rigorous cost management.
- Revitalise Negocio micro-business lending model.

860,000	-35%	-18%
Customers	Year-on-year credit issued	Year-on-year revenue
36.4%	**44.2%**	**-£13.6m**
Impairment % revenue	Cost-income ratio	Loss before tax

Grow the receivables portfolio

- Increase credit issued and re-serve customers post temporary Covid-19 moratoria and rate caps.
- Retain robust collections and maintain good credit quality.
- Maintain strong cost control.
- Prove digital offering in Czech Republic.
- Implement hybrid model in all markets.

Protect the model from adverse regulation

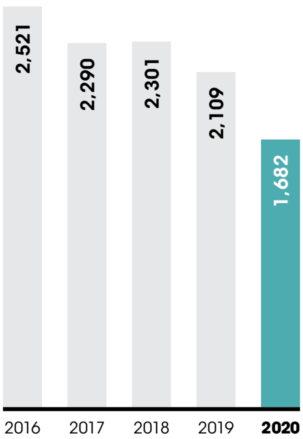
Optimise through technology and data

▶ Read more in our Operational review pages 26-31

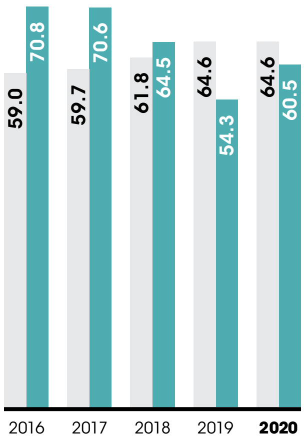
Performance against our strategy

Each of our KPIs is linked to our multi-channel strategy and monitored closely to measure how we are progressing.

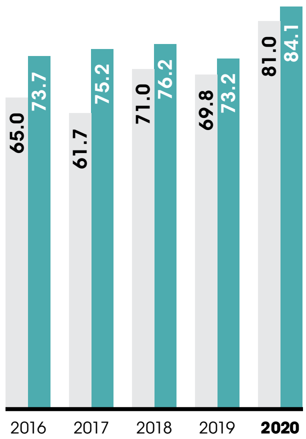
Customer numbers ('000)



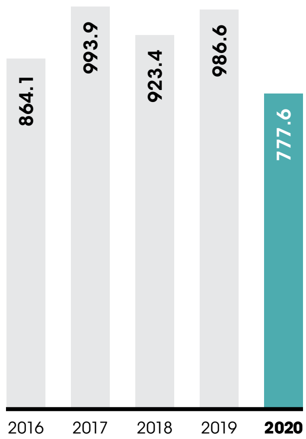
Customer retention (%)



Employee and agent retention (%)



Average net receivables (£m)



Customer numbers

1.7m

Performance

Defined as the total number of customers across the Group. In 2020, customer numbers reduced year on year by 20% driven by the impact of Covid-19 and our subsequent decision to tighten credit settings significantly to protect the business.

Why we measure it

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

Looking ahead

We expect to increase customer numbers in 2021 as we ease credit settings and return the business to growth.

Customer retention

65% Home credit

61% IPF Digital

Performance

This is defined as the number of customers who have three or more loans with our business. Customer retention was maintained in our home credit operations and we delivered an improvement in IPF Digital as we focused our lending on serving our most loyal, high-quality customers.

Why we measure it

Our ability to retain customers is central to achieving our growth ambitions and is a key indicator of the quality of our products and 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.

Looking ahead

We aim to maintain high levels of customer retention by continuing to evolve our product offering so that it remains relevant to the changing needs of our customers.

Employee and agent retention

81% Agent

84% Employee

Performance

Defined as the proportion of employees and agents who have worked with us for more than 12 months. Agent retention improved significantly assisted by our decision to protect their incomes when unable to visit customers. The change in employee retention was driven by the fact that, on average, our rightsizing programme resulted in the loss of employees with a shorter service life.

Why we measure it

Higher and stable retention of our people correlates with providing high levels of customer service and a strong financial performance.

Looking ahead

We aim to maintain high levels of employee and agent retention through the deployment of people experience programmes, and acting upon the feedback from our Global People Survey.

Average net receivables

£778m

Performance

This is defined as the average amounts receivable from customers translated at constant exchange rates. Average net receivables decreased by 19% in 2020 driven by a combination of restrictions on credit issued and higher impairment provisions.

Why we measure it

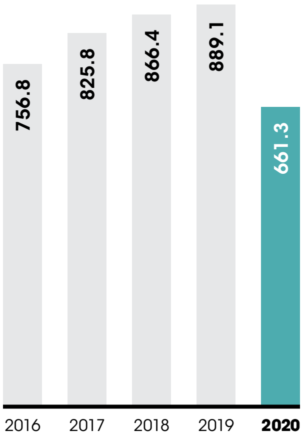
This measure allows stakeholders to compare changes in amounts receivable from customers on a consistent basis, which is important because it is a key driver of revenue growth.

Looking ahead

We expect average net receivables will continue to contract due to the 31% reduction in closing receivables in 2020. Closing receivables are expected to increase in 2021 driven by our focus on delivering a return to growth.

▶ Read more about alternative performance measures on pages 154-157

Revenue (£m)



Revenue

£661m

Performance

Revenue is defined as income generated from customer receivables. In 2020, revenue decreased by 22% (at CER) driven by the impact of the pandemic on credit issued and the subsequent reduction in average receivables through 2020 and higher early settlement rebate charges and the temporary reduction in the rate cap in Poland.

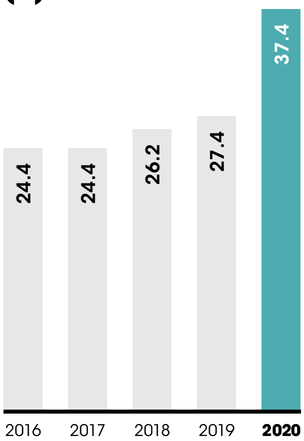
Why we measure it

Revenue is one of the key drivers of overall performance outcomes in the income statement.

Looking ahead

We expect revenue to continue to contract in 2021 due to a reduction in average net receivables followed by a return to growth in subsequent years.

Impairment as a percentage of revenue (%)



Impairment % revenue

37.4%

Performance

The amount charged as a cost to the income statement as a result of customers defaulting on contractual loan payments. At Group level, impairment increased driven by the application of IFRS 9 to the issues arising from the pandemic.

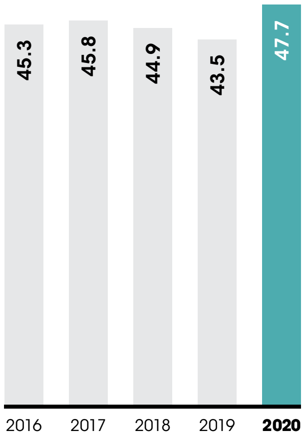
Why we measure it

Profitability is maximised by optimising the balance between growth and credit quality.

Looking ahead

We expect Group impairment as a percentage of revenue to improve in 2021 as we recover from the impacts of the pandemic and aim to return to within our target range of 25% to 30%.

Cost-income ratio (%)



Cost-income ratio

47.7%

Performance

The cost-income ratio is defined as the direct expenses of running the business (excluding agents' commission) as a percentage of revenue. The ratio increased in 2020 because revenue contracted at a faster rate than costs. The Group's rightsizing programme removed 1,200 roles from the organisation and our overall cost reduction exercise delivered £58 million of cost savings.

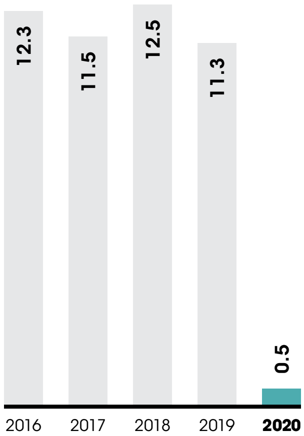
Why we measure it

To ensure that we focus on running our business in the most efficient manner because the cost-income ratio is a key driver of profitability.

Looking ahead

We aim to maintain the significant reduction in the Group's cost base that was delivered in 2020. We expect a modest increase in this ratio in 2021 due to lower revenues before delivering improving efficiencies in subsequent years.

Return on assets (ROA) (%)



Return on assets

0.5%

Performance

ROA is defined as pre-exceptional profit before interest after tax, and divided by average net receivables. Group ROA was adversely impacted by the effects of the pandemic on profit after tax.

Why we measure it

ROA is a good measure of the financial performance of our businesses, showing the ongoing return on the total equity and debt capital invested in the average net receivables of our operating segments and the Group.

Looking ahead

We aim to generate progressive improvements in ROA as we return the business to growth and profitability in 2021 and beyond.

▶ Read more on reconciliation and glossary of the alternative performance measures that we use on pages 154-157

Group performance overview

The pandemic demonstrated the resilience of our business model, the effectiveness of our credit risk management systems and our ability to generate cash.

Group performance

We started 2020 with a good performance before the outbreak of the Covid-19 pandemic in mid-March. While the remainder of 2020 was challenging, and we continue to face macroeconomic uncertainty as a result of the pandemic, our swift and decisive actions early in the year to manage the business through this turbulent period resulted in an improving operational performance from June onwards, and a return to profitability in the second half of the year. It also demonstrated the resilience of our business model, the effectiveness of our credit risk management systems and our ability to generate cash.

Market overview and Covid-19 response strategy

From mid-March, the Covid-19 pandemic posed significant, unforeseen challenges for many businesses, particularly those that rely on face-to-face interactions with consumers such as our home credit businesses. We responded quickly and took the strategic decision to establish three principles to guide our decision-making through this turbulent period. These were to protect our people, prioritise our loyal customers and protect our business. We subsequently developed and implemented our phased return to growth plan to safeguard the business, drive our recovery and return to profitability and future long-term growth. This approach, together with the exceptional dedication of our workforce, allowed us to continue serving our customers safely, deliver an improving operational performance and returned the business to profitability in the second half of the year.

Regulators and governments introduced a range of measures in our markets to manage the effects of the pandemic, some of which had a significant impact on our businesses. Over the course of the year, these measures have been lifted, modified or extended as governments sought to manage their economies through the evolution of the pandemic.

People movement restrictions

During April and May significant restrictions on non-essential contact prevented most of our agents in Europe from visiting customers to collect repayments or grant new loans. In Mexico, where there is a state-by-state response rather than a central government plan, disruption to our agent service has not been market-wide or as severe as our experience in Europe. We used our digital expertise to rapidly develop and deploy remote repayment facilities in all our home credit markets, thus enabling customers to continue repaying their loans while minimising personal contact. We also transitioned all 6,000 office and call centre employees to remote working practices. Since lockdown restrictions were eased, we have continued to provide personal protective equipment and safety guidance to ensure our agents are able to serve customers safely and with confidence. We have also introduced flexible working practices to allow colleagues to work from remote locations or our offices as most befits their needs.

Temporary tightening of existing rate caps

Temporary tightening of existing rate caps was introduced in Poland, Hungary and Finland during the first wave of the pandemic. The temporary reduction of the APR cap in Hungary reverted to the previous level of 24% plus base rate at the start of 2021. The Polish government introduced a temporarily reduced cap on non-interest costs of new lending until 8 March 2021 and this has been extended until 30 June 2021. As we reported at the half-year, the temporary tightening of the existing rate cap in Finland to 10% for all new lending resulted in our decision to close our digital business in this market and collect-out the portfolio.

Temporary debt repayment moratoria

In order to ease financial difficulties for borrowers during the pandemic, the Hungarian government implemented a debt repayment moratorium available for all consumers until the end of 2020, and this was subsequently extended to 30 June 2021. Borrowers can opt-out if they wish to continue to repay their loans and a significant majority of our customers have

	FY 2019 £m	FY 2020 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	2,109	**1,682**	(427)	(20.2)	
Credit issued	1,353.0	**772.2**	(580.8)	(42.9)	(40.9)
Average net receivables	986.6	**777.6**	(209.0)	(21.2)	(18.6)
Revenue	889.1	**661.3**	(227.8)	(25.6)	(22.4)
Impairment	(243.5)	**(247.6)**	(4.1)	(1.7)	(6.9)
Net revenue	645.6	**413.7**	(231.9)	(35.9)	(33.4)
Finance costs	(63.5)	**(55.0)**	8.5	13.4	10.4
Agents' commission	(81.0)	**(72.0)**	9.0	11.1	6.0
Other costs	(387.1)	**(315.5)**	71.6	18.5	15.6
Pre-exceptional profit / (loss) before taxation	114.0	**(28.8)**	(142.8)		
Exceptional items	–	**(11.9)**	(11.9)		
Profit / (loss) before taxation	114.0	**(40.7)**	(154.7)		

chosen to do so. Temporary moratoria allowing customers to suspend loan repayments for defined periods were also introduced in a number of our other European markets, but on an "opt-in" basis (unlike Hungary). Take-up was not significant due to the eligibility criteria and our proactive actions to offer alternative forbearance solutions to our customers, including payment holidays.

Full year results

The full-year result reflects the significant impact that the pandemic had on our business, both operationally and financially, with a pre-exceptional loss before tax of £28.8 million (statutory loss before tax of £40.7 million).

Our adherence to tighter credit settings and our liquidity management strategy resulted in a 41% reduction in credit issued, a 19% decline in average net receivables and a 22% contraction in revenue. Our collections performance was disrupted by the pandemic, particularly the restrictions on people movement, and this resulted in a significant increase in the IFRS 9 impairment charge, part of which is assessed as being temporary and is expected to unwind in 2021 (see page 33 for more details). A key component of our Covid-19 response was a significant cost reduction programme. This included the elimination of discretionary expenditure in Q2 and a rightsizing exercise that aligned the cost base to the reduced scale of the business, removing around 1,200 roles from the organisation. These actions delivered a £58.3 million (at CER) reduction in other costs year on year. Finance costs reduced by 10% due to lower average borrowing requirements resulting from our focus on liquidity management and a reduction in base rates. We took a strategic decision to support agent incomes during the pandemic in order to reward the loyalty of our agents and maintain agent – customer relationships, and this resulted in agents' commission reducing at a slower rate than the contraction in revenue.

The income statement includes a net exceptional loss before taxation of £11.9 million which comprises a £10.6 million charge arising from the decision to close our business in Finland (further details are set out in note 10 of this report) and a £9.5 million charge for rightsizing, partially offset by the receipt of £8.2 million of interest income in respect of our successful court challenge to the Polish tax audit cases for 2008 and 2009.

Following a reported pre-exceptional loss before tax of £46.8 million in H1, it is pleasing to report that the business delivered a pre-exceptional profit before tax of £18.0 million in the second half of the year, an improvement of £64.8 million between the periods.

	H1 2020 £m	H2 2020 £m	**FY 2020 £m**
European home credit	(25.6)	12.0	**(13.6)**
Mexico home credit	(8.4)	11.9	**3.5**
IPF Digital	(5.9)	(0.1)	**(6.0)**
Central costs	(6.9)	(5.8)	**(12.7)**
Pre-exceptional (loss) / profit before taxation	(46.8)	18.0	**(28.8)**

This significantly improved performance was driven by a combination of lower impairment charges and cost reductions, partially offset by lower revenue. Revenue reduced by £63.1 million in the second half due to the contraction in the receivables portfolio arising from our credit quality and liquidity management actions. Impairment in the second half of the year was £116.8 million lower than the first half when significant charges were booked to account for the expected impact of the pandemic. Collections effectiveness, which reduced to 76% in April, improved to reach 97% in Q4 2020. As a result, impairment as a percentage of revenue improved significantly from 50.3% in H1 to 21.9% in the second half and this included a 5.4 ppt benefit resulting from the unwinding of discounting provisions. Costs in the second half of the year reduced by £10.9 million compared to H1, reflecting the initial benefits of our rightsizing programme.

Regulatory update

As previously reported, UOKiK, the Polish competition and consumer protection authority, has been conducting a comprehensive review of early loan settlement rebating practices by banks and other consumer credit providers. In light of this and a recent European Court of Justice declaratory judgment on the matter, new market standard rebating practices are expected to be implemented in Poland during 2021. Our current expectation for our Polish business is that the annualised financial impact on profit before tax is likely to be in the range of £5 million to £10 million and we are working on a number of mitigating strategies.

In Romania, legislation enacted by parliament in May 2020 implementing a cap on the total amount payable on a consumer loan agreement was successfully challenged at the Constitutional Court in January of this year. As a result, the law, which was suspended pending the court challenge, has been annulled and any further effort to implement similar proposals would require a new and complete legislative process.

Outlook

Our business plays an important key role in society by providing credit responsibly to those who are underbanked or underserved, and there remains significant demand for affordable credit from this group of consumers in all our markets. As a more nimble, more cost-effective business than we were before the pandemic we remain well placed to satisfy this demand in the long term. Credit issued during 2021 to date continues to show encouraging trends with progressive year-on-year improvements that are ahead of Q4 2020 despite renewed restrictions on people movement having an impact on customer demand, and we expect to progressively rebuild the receivables portfolio as the year unfolds. Our strategy is supported by our strong balance sheet and funding position, which will allow us to rebuild our European home credit business, capture the substantial growth opportunities in both Mexico home credit and IPF Digital, return the Group to full-year profitability in 2021 and deliver further growth thereafter.

European home credit

Following a good start to the year, the impact of the pandemic and government policy responses had a significant impact on these operations.

Our European home credit businesses are well-established, resilient operations with a long history of delivering good returns. Following a good start to the year, the impact of the pandemic and government policy responses had a significant impact on these operations. This resulted in European home credit delivering a pre-exceptional loss before tax of £13.6 million for 2020 (statutory loss before tax of £11.1 million). This comprised a loss of £25.6 million in the first half followed by a return to £12.0 million profit in H2, an improvement of £37.6 million. The recovery was primarily driven by a £55.9 million reduction in the impairment charge partially offset by reduced revenue arising from the contraction in the receivables portfolio. The reduction in impairment was driven by an improved collections performance and the partial unwinding of discounting provisions booked in H1.

Customer numbers and credit issued contracted year on year by 15% and 35% respectively, attributable largely to the significant tightening of credit settings implemented from March onwards. Collections effectiveness, which reduced in April to 71% of the pre-Covid-19 level when agent service was suspended in a number of markets, improved through the remainder of the year, reaching 95% in Q4 2020. This robust performance enabled a progressive monthly increase in credit issued focused on our loyal, higher-quality customers from June onwards. Average net receivables reduced by 14% year on year, due to reductions in credit issued and Covid-19 related impairment provisions. Revenue contracted at the faster rate of 18%, driven by higher early settlement rebate charges and the temporary reduction in the rate cap in Poland.

The impairment charge for the year increased by £76.3 million to £132.3 million and this increase mainly arose during the first half of the year as a result of the incremental impairment provisions recorded in response to Covid-19 (see page 33 for further details). Impairment as a percentage of revenue increased by 24.0 ppts to 36.4%, driven primarily by the incremental provisions, the most significant uplift of which was in Hungary where the temporary opt-out debt repayment moratorium had a greater impact on collections than in other markets. Successful cost-saving measures implemented across these businesses resulted in a 15% (£28.4 million at CER) reduction in costs. Agents' commission costs increased by 2%, reflecting our objective of supporting agent incomes during this difficult period and the shift in the balance of incentives from sales to collections.

In 2021, we will focus on continuing to regrow credit issued while maintaining robust collections and credit quality. We will also maintain strong cost control as we rebuild scale in these businesses through the year.

	2019 £m	**2020 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	1,009	**860**	(149)	(14.8)	
Credit issued	751.3	**479.6**	(271.7)	(36.2)	(34.6)
Average net receivables	562.0	**468.4**	(93.6)	(16.7)	(14.4)
Revenue	452.2	**363.4**	(88.8)	(19.6)	(17.6)
Impairment	(56.0)	**(132.3)**	(76.3)	(136.3)	(139.7)
Net revenue	396.2	**231.1**	(165.1)	(41.7)	(40.1)
Finance costs	(37.1)	**(33.3)**	3.8	10.2	7.8
Agents' commission	(51.1)	**(50.7)**	0.4	0.8	(2.0)
Other costs	(192.9)	**(160.7)**	32.2	16.7	15.0
Pre-exceptional profit / (loss) before taxation	115.1	**(13.6)**	(128.7)		
Exceptional items	–	**2.5**	2.5		
Profit / (loss) before taxation	115.1	**(11.1)**	(126.2)		

Mexico home credit

Lessons learned in Europe guided pre-emptive action in Mexico to protect our people and the business from the impacts of the pandemic.

Actions introduced in 2019 to improve portfolio quality in Mexico were delivering an improved financial performance in the first quarter before the pandemic impacted operations. Lessons learned in Europe, where the onset of the pandemic began earlier than in Mexico, guided pre-emptive action in this market in order to protect our people and the business. For the year as a whole, Mexico home credit reported a pre-exceptional profit of £3.5 million (statutory profit before tax of £0.8 million). This comprised a loss of £8.4 million in the first half followed by a profit of £11.9 million in H2; a turnaround of £20.3 million. This improved performance was driven by a combination of a £37.2 million reduction in the impairment charge together with a lower cost base, partially offset by materially lower revenues arising from the contraction of the receivables portfolio. The strong reduction in impairment in H2 was driven by a continuation of the improvements in collection trends reported before the pandemic and the benefit of the partial unwinding of discounting provisions booked in the first half of the year.

Our focus on improving credit quality throughout 2019 and the further tightening of credit settings resulting from Covid-19 led to a 25% contraction in customer numbers to 599,000 and a 40% reduction in credit issued year on year. Due to the shorter average loan duration in Mexico, lower credit issued and incremental impairment provisions, average net receivables reduced by 31% and this resulted in a 29% contraction in revenue.

The actions taken to improve operations from the second half of 2019 had begun to deliver increased collections and credit quality at the beginning of the year. However, the onset of the pandemic and subsequent restrictions on people-movement resulted in collections effectiveness reducing initially to 81% in April before improving to 100% in Q4 2020. Impairment as a percentage of revenue reduced year on year to 33.7%, which represents a 7.6 ppt improvement, reflecting the improved operational performance partially offset by incremental charges arising in respect of the pandemic.

Significant cost savings were realised following cost reduction measures taken in response to the pandemic, delivering a 15% (£12.4 million at CER) reduction in other costs. The reduction in agents' commission was driven by lower collections, partially offset by higher commission rates designed to protect agent incomes and maintain customer relationships.

The operational improvements introduced in 2019 had a positive impact on performance during 2020 although this was negatively impacted by the pandemic. The pre-pandemic improvements give us the confidence to continue our strategy of easing credit settings and rebuilding the receivables portfolio whilst maintaining credit quality at the improved level delivered in 2020. The digital transformation of the business will continue as we complete the roll-out of the collections functionality of our MyProvi agent app, which will further improve cost efficiency. We will also focus on improving branch profitability and ensuring rigorous cost management in order to deliver a much-improved financial performance in 2021 and return the business to sustainable growth thereafter.

	2019 £m	**2020 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	795	**599**	(196)	(24.7)	
Credit issued	268.2	**143.6**	(124.6)	(46.5)	(40.2)
Average net receivables	164.4	**102.5**	(61.9)	(37.7)	(30.6)
Revenue	247.6	**157.1**	(90.5)	(36.6)	(29.3)
Impairment	(102.3)	**(53.0)**	49.3	48.2	42.2
Net revenue	145.3	**104.1**	(41.2)	(28.4)	(20.2)
Finance costs	(11.8)	**(7.7)**	4.1	34.7	27.4
Agents' commission	(29.9)	**(21.3)**	8.6	28.8	20.8
Other costs	(93.1)	**(71.6)**	21.5	23.1	14.8
Pre-exceptional profit before taxation	10.5	**3.5**	(7.0)		
Exceptional items	–	**(2.7)**	(2.7)		
Profit before taxation	10.5	**0.8**	(9.7)		

IPF Digital

Lending was focused on the very best quality new customers and higher-quality existing customers.

IPF Digital provides an end-to-end remote lending model and, as such, experienced significantly less disruption arising from Covid-19 freedom of movement restrictions in 2020. However, as part of our strategy to protect credit quality and manage liquidity, we tightened credit settings significantly in the second half of March, from which point lending was focused on the very best quality new customers and higher-quality existing customers. This resulted in the business reporting a pre-exceptional loss before tax of £6.0 million (statutory loss before tax of £17.3 million), driven by reduced scale and incremental Covid-19 related impairment, partially offset by lower costs. This result comprised a pre-exceptional loss of £5.9 million in the first half and a £0.1 million loss in H2, with the improved performance resulting from lower impairment and reduced costs, partially offset by reduced revenues.

Year on year, customer numbers reduced by 27% to 223,000 and credit issued contracted by 55%, driven by the restricted credit settings introduced in response to Covid-19, our ongoing strategy to improve credit quality in our new markets and the cessation of lending in Finland following a tightening of the rate cap in that country. Average net receivables reduced by 21% and revenue contracted at the slightly faster rate of 26%.

Collections effectiveness reduced to 82% in April with the main drivers of this being fewer customers overpaying the minimum repayment obligation on their credit line facility, together with higher payment holiday requests. Collections effectiveness improved over the course of the year to 99% in Q4 2020. Impairment as a percentage of revenue at 44.2%, was in line with 2019 and comprised a reduction in the new markets, reflecting the benefit of our credit quality improvement strategy, and an increase in the established markets arising from Covid-19. Tight cost control resulted in an 18% reduction in costs (£15.5 million at CER) driven mainly by the benefits of the rightsizing exercise, lower marketing expenditure and other volume-related costs.

Established markets

The established markets delivered a pre-exceptional profit before tax of £18.4 million (statutory profit before tax of £8.7 million), driven by a combination of lower revenues and higher levels of impairment arising from Covid-19, partially offset by lower costs. This comprised a profit in the first half of £7.0 million and £11.4 million in H2 with the increase in the second half year driven by reduced impairment.

Credit issued contracted by 49% year on year, impacted by tighter credit settings introduced in response to Covid-19 together with our decision to cease lending in Finland and collect out the portfolio. Average net receivables contracted by 16% due to the lower credit issued and this resulted in a 15% reduction in revenue. Excluding Finland, the contraction in average net receivables and revenue was significantly lower at 6% and 3% respectively.

Impairment as a percentage of revenue increased by 8.9 ppts year on year to 28.6% due to the Covid-19 related incremental impairment that is set out above. Our cost reduction programme resulted in an 8% reduction in costs (£2.2 million at CER).

	2019 £m	**2020 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	305	**223**	(82)	(26.9)	
Credit issued	333.5	**149.0**	(184.5)	(55.3)	(55.3)
Average net receivables	260.2	**206.7**	(53.5)	(20.6)	(20.8)
Revenue	189.3	**140.8**	(48.5)	(25.6)	(25.8)
Impairment	(85.2)	**(62.3)**	22.9	26.9	26.4
Net revenue	104.1	**78.5**	(25.6)	(24.6)	(25.2)
Finance costs	(14.4)	**(13.9)**	0.5	3.5	4.1
Other costs	(86.5)	**(70.6)**	15.9	18.4	18.0
Pre-exceptional profit / (loss) before taxation	3.2	**(6.0)**	(9.2)		
Exceptional items	–	**(11.3)**	(11.3)		
Profit / (loss) before taxation	3.2	**(17.3)**	(20.5)		

The pre-exceptional profitability of IPF Digital is segmented as follows:

	2019 £m	**2020 £m**	Change £m	Change %
Established markets	32.7	**18.4**	(14.3)	(43.7)
New markets	(15.5)	**(12.8)**	2.7	17.4
Head office costs	(14.0)	**(11.6)**	2.4	17.1
IPF Digital	3.2	**(6.0)**	(9.2)	

New markets

Losses in the new markets narrowed year on year to £12.8 million (statutory loss before tax of £14.4 million), which was driven by lower impairment and costs, partially offset by reduced revenue. Losses in the first and second half of the year were broadly similar with lower revenue offsetting reduced impairment and costs.

Customer numbers reduced to 107,000 and credit issued contracted by 61% year on year due to a combination of credit tightening implemented in the second half of 2019 in Poland and Spain to manage credit risk together with further restrictions implemented in response to Covid-19. Average net receivables reduced by 27% and revenue contracted at the faster rate of 34% due to higher levels of claims management charges in Spain.

Impairment as a percentage of revenue improved by 4.4 ppts year on year to 60.4% driven by underlying improvements in credit quality, partially offset by higher provisions booked in respect of Covid-19. Costs reduced by 24% year on year (£10.7 million at CER), driven principally by the benefits of rightsizing, lower marketing expenditure and other volume-related costs as we reduced our credit issued volumes.

Outlook

IPF Digital continues to offer significant long-term growth opportunities. In 2021, we will focus on progressively rebuilding the receivables portfolio and accelerating new customer growth, delivering further improvements in credit quality and maintaining tight control of costs. We also plan to expand our mobile wallet offering in Latvia, leverage the benefits of merging our two digital businesses in Poland and deliver our collect-out plan in Finland.

Established markets

	2019 £m	**2020 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	150	**116**	(34)	(22.7)	
Credit issued	165.5	**85.0**	(80.5)	(48.6)	(49.4)
Average net receivables	137.7	**117.9**	(19.8)	(14.4)	(15.5)
Revenue	83.1	**71.6**	(11.5)	(13.8)	(15.1)
Impairment	(16.4)	**(20.5)**	(4.1)	(25.0)	(22.8)
Net revenue	66.7	**51.1**	(15.6)	(23.4)	(24.4)
Finance costs	(7.2)	**(7.8)**	(0.6)	(8.3)	(5.4)
Other costs	(26.8)	**(24.9)**	1.9	7.1	8.1
Pre-exceptional profit before taxation	32.7	**18.4**	(14.3)		
Exceptional items	–	**(9.7)**	(9.7)		
Profit before taxation	32.7	**8.7**	(24.0)		

New markets

	2019 £m	**2020 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	155	**107**	(48)	(31.0)	
Credit issued	168.0	**64.0**	(104.0)	(61.9)	(61.3)
Average net receivables	122.5	**88.8**	(33.7)	(27.5)	(26.8)
Revenue	106.2	**69.2**	(37.0)	(34.8)	(34.3)
Impairment	(68.8)	**(41.8)**	27.0	39.2	38.5
Net revenue	37.4	**27.4**	(10.0)	(26.7)	(26.7)
Finance costs	(7.2)	**(6.1)**	1.1	15.3	14.1
Other costs	(45.7)	**(34.1)**	11.6	25.4	23.9
Pre-exceptional loss before taxation	(15.5)	**(12.8)**	2.7		
Exceptional items	–	**(1.6)**	(1.6)		
Loss before taxation	(15.5)	**(14.4)**			

Positioning the business for future growth

Justin Lockwood
Chief Financial Officer

Our financial strategy

We aim to deliver relevant products and services to our customers while maintaining a strong financial profile in order to provide good returns to shareholders and value to all our key stakeholders.

Pandemic response, financial performance and returns

Covid-19 response

Our Covid-19 response strategy is set out on pages 4 and 5 with phases one and two being completed in 2020. Phase one was to protect our people, prioritise our loyal customers and to protect our business. From a financial perspective this was focused on managing liquidity and credit risk in a highly uncertain environment by reducing credit issued and optimising collections together with eliminating discretionary expenditure and reducing capital expenditure. These actions resulted in a significant cash inflow and a reduction in borrowings (net of non-operational cash) together with a material reduction in the Group's receivables portfolio.

Phase two was to rightsize the business to enable an accelerated return to profitability and this involved the removal of around 1,200 roles and the exit from activities that didn't meet our return criteria, including the collect out of our business in Finland. As a result, the cost base in 2021 is expected to be around £60 million lower than 2019 and aligned to the reduced scale of the Group's balance sheet.

Financial performance

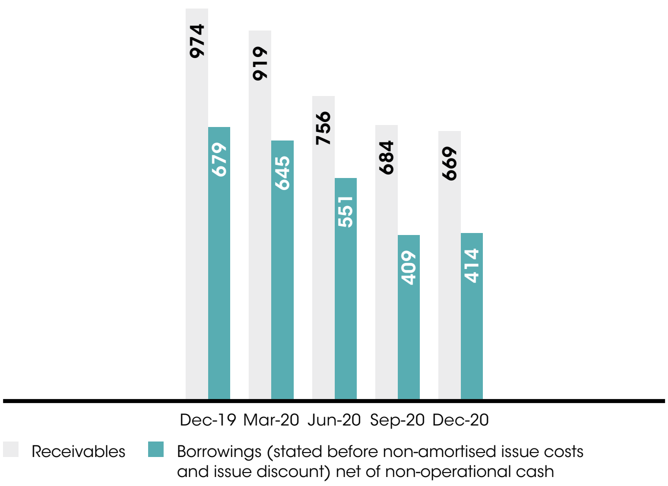
After a very long track record of consistent profitability and returns, the Group was significantly impacted by Covid-19 and reported a loss in 2020. This was due to lower revenue arising from a reduction in the receivables portfolio and a material increase in impairment. The Group reported a pre-exceptional loss for the year of £28.8 million and a statutory loss of £40.7 million after an exceptional charge of £11.9 million (see page 26 for details). This comprised a loss of £46.8 million in the first half of the year, followed by a return to profitability in the second half due to lower impairment and costs, partially offset by lower revenue arising from the reduction in the receivables portfolio.

The application of IFRS 9 to the issues arising from Covid-19 had a significant impact on the Group's impairment charge in the first half of the year with impairment as a percentage of revenue increasing to 50.3% (for the first half in isolation). The impairment charge in the second half of the year improved materially to 21.9% due to a strong recovery in collections performance and the partial unwinding of additional discounting on delayed cash flows, which was recorded in the first half. Taken together, impairment as a percentage of revenue for the full year was 37.4% (see pages 33 and 34 for more information on the Covid-19 impact on impairment). The combination of these revenue and impairment trends, together with the delivery of structural cost savings resulted in a return to profitability in the second half of the year with a pre-exceptional profit of £18.0 million.

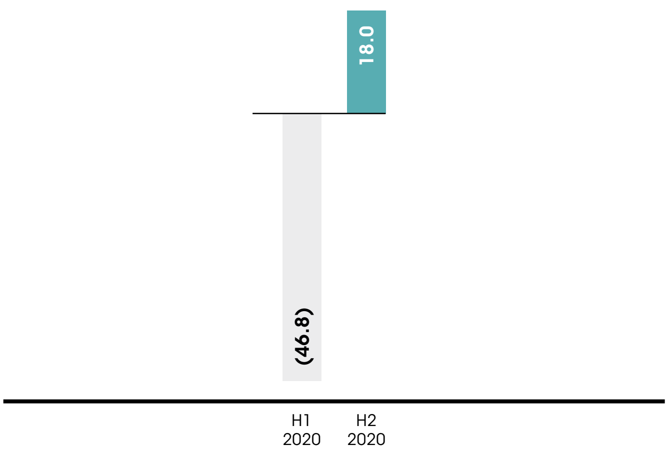
Returns

As a Group, we aim to deliver long-term profitable growth, good returns for shareholders, and the efficient deployment of capital generated to support growth and pay dividends.

Receivables and borrowings (£m)



Pre-exceptional (loss) / profit before tax (£m)



We believe that the return on assets (ROA) metric is a good measure of financial performance of our businesses, showing the ongoing return on the total equity and debt capital invested in the receivables book for those businesses, and for the Group. In addition, we believe that the Group return on equity (ROE) metric is a good measure of overall returns for shareholders.

The table below shows the ROA for our European home credit, Mexico home credit and IPF Digital businesses, and for the Group as a whole. ROA is measured as pre-exceptional profit before interest, after tax, divided by the average net receivables during the period. In the absence of Covid-19, we would expect to earn higher returns from our European home credit business, and increasing returns from our Mexico home credit and IPF Digital growth businesses.

	2019	2020
European home credit	17.1%	**0.6%**
Mexico home credit	8.5%	**1.6%**
IPF Digital	4.3%	**0.6%**
Group	11.3%	**0.5%**

The returns in 2020 in all reporting segments were adversely impacted by Covid-19 both in respect of the pre-exceptional loss before tax and the tax charge which resulted in a deterioration in returns. It is expected that returns will improve in 2021 and beyond as the Group recovers from the impact of the pandemic.

Return on equity

ROE for the Group is measured as pre-exceptional profit after tax divided by average equity. ROE declined by 29.7 ppts in 2020 to (13.2%), driven by the impact of the pandemic on profitability and the tax charge.

Loss/earnings per share

The pre-exceptional loss per share was 24.0 pence in 2020 compared with earnings per share of 32.2 pence in 2019, reflecting the deterioration in profitability arising from the impact of Covid-19 and the tax charge. The statutory loss per share was 28.9 pence in 2020.

Dividend

The Board considered the financial performance in 2020 and concluded that it is not appropriate to propose a final dividend; however, it remains committed to paying a progressive dividend in the future. The Board will review dividend payments regularly, taking into account the financial performance and financial position of the Group and we intend to recommence dividend payments as soon as circumstances permit.

Covid-19 impact on impairment

The application of IFRS 9 to the effects of Covid-19 had a significant impact on the Group's impairment accounting and charge in 2020. As reported in our half-year financial report, government-imposed restrictions on freedom of movement and the introduction of debt repayment moratoria, together with the anticipated economic impact of the pandemic on our customers, had a significant adverse impact on collection cash-flows in all our businesses. These events are unprecedented and, accordingly, we reviewed the appropriateness of our impairment modelling under IFRS 9 in the first half of the year. This included a full assessment of expected credit losses, including a forward-looking assessment of expected collection cash-flows. As a result, we applied overlays to our impairment models in order to calculate the expected impact of the pandemic on the Group's impairment charge. These overlays were refreshed at the year end.

Home credit impairment

In our home credit markets, the restrictions on freedom of movement resulted in agent service to customers being disrupted from mid-March through to the end of June, albeit with a reducing impact as the restrictions were progressively eased from May onwards. We implemented alternative payment options in most of our markets, which partially mitigated the reduction in customer repayments normally collected by agents. The opt-out repayment moratorium in Hungary had a more significant impact on performance than those implemented in other European markets, resulting in slower collections and an expectation of a larger increase in credit losses. In addition to these factors, some customers' incomes have been negatively impacted and this has reduced their capacity to make repayments.

The calculation of the expected credit loss ("ECL") is model-driven and is based on contractual arrears, thereby assuming that all missed collections are a result of credit quality deterioration and generating a disproportionately increased ECL. Therefore, for all lending issued before June 2020, we have reduced the modelled ECL based on historic customer roll-rates before calculating the increase in ECL arising from the pandemic. This latter assessment is based on estimated future repayment patterns on a market-by-market basis, taking into account operational disruption, repayment moratoria and the expected recessionary impact. We then assessed the extent to which the reduction in cash-flows is likely to be permanent or temporary. The permanent reduction in cash-flows has been recorded as an increase in ECL, and this has resulted in an incremental impairment provision of £33 million. We expect temporarily missed repayments to be repaid at the end of the credit agreement, rather than at the point when agent service is resumed. The charges for lending are largely fixed and therefore these delayed cash flows have been discounted using the effective interest rate to arrive at a net present value. This has resulted in an additional impairment charge of £16 million. We expect this element of the incremental impairment charge to reverse during the next 12 months as the temporarily missed payments are collected from our customers. Impairment on lending from June 2020 onwards has been recorded using our standard impairment accounting models without applying these overlays due to the reduction in operational disruption and the tightened credit settings on new lending.

In addition to the increased impairment provisions resulting from the model overlays, a further £20 million impairment charge was taken in the home credit business to account for reduced collections during the first half of the year.

IPF Digital impairment

The key impacts of the pandemic on the digital business have been a reduction in the number of customers regularly paying more than their minimum monthly repayment and the disruption to forward-flow arrangements with debt purchasers.

Having reviewed the expected economic impact of the pandemic on our customers' debt repayment capacity and used this information to calculate the increased probability of customers defaulting, we recorded an appropriate impairment overlay provision. As a result of the pandemic, some of the forward-flow agreements we have with purchasers of our delinquent accounts have been disrupted. As these agreements are used to calculate loss given default rates ('LGD') which form an integral part of our impairment accounting, this has resulted in an increase in LGDs in all markets and an incremental impairment charge. The combined impact of the overlay provision and the increase in LGDs on the impairment charge was £11 million.

Balance sheet, treasury risk management and funding

Balance sheet

We have a strong balance sheet, funding position and robust financial risk management. At December 2020, the equity to receivables ratio was 55.4% (2019: 44.8%) and the gearing ratio was 1.4x (2019: 1.5x). Group debt funding facilities at December 2020 totalled £624 million, with headroom and non-operational cash balances of £210 million. Total cash balances at December 2020 were £116 million (2019: £37 million) and include £85 million that was not required for operational purposes but is available to support future receivables growth.

Closing receivables in 2020 were £669 million, which is £300 million (31%) lower than 2019 at CER, reflecting the Group's liquidity management strategy during 2020. The average period of receivables outstanding at December 2020 was 11.1 months (2019: 12.2 months) with 80% of year-end receivables due within one year (2019: 75%). The average period of receivables outstanding has decreased primarily due to our strategy of shortening loan terms to preserve liquidity.

The equity to receivables ratio is higher than in previous years, having strengthened materially due to contraction of the receivables portfolio. This level of equity funding will provide sufficient capital to fund expected receivables growth whilst maintaining the resilience of the balance sheet given the ongoing Covid-19 pandemic and regulatory uncertainty. In addition, the Group's debt funding covenants place restrictions on the ability to make material reductions to equity capital levels.

Gearing, 1.4x at December 2020, reduced from 1.5x in 2019 due to the contraction of the balance sheet and was well within the covenant level of 3.75x maximum on our debt facilities.

Treasury risk management and funding

There are Board-approved policies to address the key treasury risks that the business faces – funding and liquidity risk, financial market risk (currency and interest rate risk), and counterparty risk. The policies 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 a resilient funding position for our existing business and for future growth. We aim to maintain a prudent level of headroom on undrawn bank facilities. 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. We choose not to hedge the translational risk of foreign currency movements on 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 BBB-rated entities as a minimum except as approved, or delegated for approval, by the Board. In addition to these policies, our operational procedures and controls ensure that funds are available in the right currency at the right time to serve our customers throughout the Group.

The currency structure of our debt facilities matches the asset and cash flow profile of our business. We have local currency bank facilities and our main €341 million (£305 million) Eurobond provides direct funding to our markets using the Euro currency, and to markets using other currencies via foreign exchange transactions. Therefore, we do not expect fluctuations in the value of sterling to have a major impact on our funding position.

Debt funding is provided through a diversified debt portfolio with acceptable terms and conditions. We have bonds denominated in Euros, Sterling and Swedish Krona, wholesale and retail, with varying maturities, together with facilities from a group of banks with a good strategic and geographic fit with our business. IPF's debt is senior unsecured debt, with all lenders substantially in the same structural position. We maintain our Euro Medium Term Note programme as the platform for bond issuance across a range of currencies.

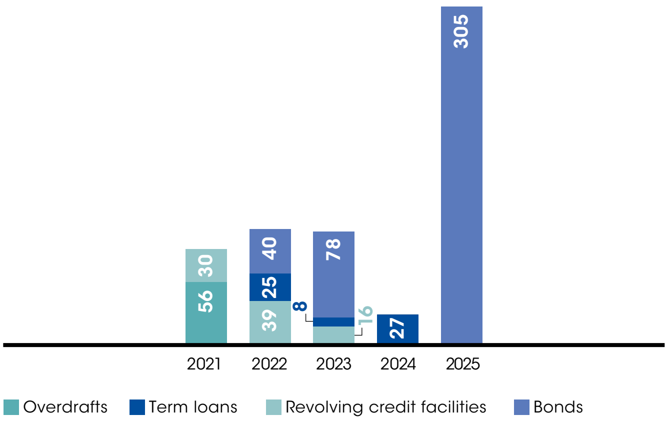
The Group's funding requirements reduced significantly during 2020 due to the contraction in the receivables portfolio, which resulted in cash generation from operating and investing activities of £268.5 million in 2020 compared with £33.0 million in 2019. The Group completed a significant refinancing exercise in 2020 that reflected the reduction in funding requirements, the need to address the maturity of the 2021 Eurobond and the requirement to implement temporary amendments to debt funding covenants during its recovery from Covid-19. This included the issuance of a new 9.75% €341 million Eurobond, amendments to debt funding covenants in existing bonds and bank facilities, and a reduction in the level of bank facilities that is commensurate with the Group's reduced funding requirements post pandemic. The key amended debt funding covenants are as follows:

	2020	H1 2021	2021	2022+
Gearing*	**Max 3.75x**	Max 3.75x	Max 3.75x	Max 3.75x
Interest cover**	**Min 1.0x**	Min 1.5x	Min 1.75x	Min 2x

* Adjusted for derivative financial instruments and pension assets in accordance with the debt funding covenant definitions.
** Calculated as EBITDA / Interest charge, applicable to all bond funding; the bilateral bank facilities ratio is set at 2.0x for 2021.

The completion of the Eurobond refinancing and covenant amendment process together with the equity to receivables ratio of 55.4% provides strong capital foundations to support our return to growth plan. At December 2020 we had total debt facilities of £624 million (£423 million bonds and £201 million bank facilities) and gross borrowings of £499 million. A full analysis of the maturity profile of the debt facilities is set in note 21 to the Financial Statements and a summary is set out below.

Maturity profile of debt facilities (£m)



	Maturity	£m
Eurobond	November 2025	305
Sterling bond	December 2023	78
Swedish krona bond	June 2022	40
Total bonds		**423**
Bank facilities	2021 to 2024	201
Total debt facilities		**624**
Total borrowings		499
Headroom against debt facilities		125
Non-operational cash balances		85
Headroom and non-operational cash balances		**210**

The bank facilities comprise term loans, revolving credit facilities and overdrafts with £161 million being committed and the balance of £40 million is uncommitted. The level of drawn funding at December 2020 was £499 million, £85 million higher than our operational requirements due to the scale of the bonds and term loans. This non-operational cash is held on our balance sheet and is available to fund expected growth in the receivables portfolio in 2021. Gross borrowings net of this non-operational cash at December 2020 was £414 million and total available liquidity in the form of non-operational cash and headroom on bank facilities was £210 million.

By maintaining a strong financial profile, we operate with adequate headroom on the key financial covenants in our debt facilities, as set out in the table below.

2019	Covenant	Actual	Headroom £m
Gearing*	Max 3.75x	1.5x	268.5
Interest cover	Min 2.0x times	3.0x	32.6

2020	Covenant	Actual	Headroom £m
Gearing*	Max 3.75x	**1.4x**	**235.0**
Interest cover**	Min 1.0x times	**2.1x**	**58.3**

* Adjusted for derivative financial instruments and pension assets in accordance with the debt funding covenant definitions.
** Actual data includes adjustments for material items of an unusual or non-recurring nature arising from the pandemic made in accordance with terms of debt facilities.

The Group is rated by Fitch Ratings and Moody's at BB- negative outlook and Ba3 stable outlook, respectively.

Foreign exchange on reserves

The majority of the Group's net assets are denominated in our operating currencies and, therefore, the sterling value fluctuates with changes in currency exchange 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 £4.1 million foreign exchange movement, which has been debited to the foreign exchange reserve.

Taxation

The taxation charge on the post-exceptional loss for 2020 is £23.5 million. The pre-exceptional tax charge is £24.5 million. The tax charge arises from a combination of factors but is largely driven by the non-tax deductible impairment charges, liability to certain taxes that are computed with reference to profits for prior periods rather than current year, and the write-off of deferred tax assets.

The exceptional tax credit of £1.0 million is stated net of a £1.1 million write-off of a deferred tax asset held in respect of the Finnish business.

The Group's appeal against the Polish Tax Chamber's decisions for 2008 and 2009 was heard in the Warsaw District Administrative Court in March and the Court found in our favour. The Court confirmed that the decision was final and we received repayment of the tax that was paid in January 2017 of £35.1 million together with £9.9 million of interest up to the repayment date in August 2020. The interest has been included in the income statement, of which the element relating to before 2020, £8.2 million, has been treated as an exceptional item.

With regard to the European Commission's State Aid challenge to the UK's Group Financing Exemption regime, following the enactment of new legislation in December 2020, HMRC have issued a Charging Notice seeking payment of £14.2 million in respect of the alleged State Aid for all affected years. The payment of this amount is a procedural matter, and the new law does not allow for postponement. Accordingly this amount was paid in February 2021 and we are appealing the Charging Notice on the grounds of the quantum assessed. Whether the UK's Group Financing Exemption regime constitutes State Aid is ultimately to be decided and we continue to await a decision of the General Court of the European Union on this matter. 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, IPF 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 made under the Charging Notice will ultimately be repaid, and therefore no position has been recorded in the Financial Statements. Further details are set out in note 32.

Going concern

In considering whether the Group is a going concern, the Board has taken into account the Group's 2021 business plan, its principal risks (with particular reference to regulatory risks), and the expected trajectory of recovery from the Covid-19 pandemic. The 2021 business plan includes the budget for the year ending 31 December 2021 and forecasts for the two years to 31 December 2023 and includes projected profit and loss, balance sheet, cash flows, borrowings, headroom against debt facilities and funding requirements. These forecasts represent the best estimate of the expected recovery from the impact that Covid-19 had on the Group's businesses, and in particular the evolution of credit issuance and collection cash flows. The forecasts assume that debt repayment moratoria are not extended and temporary price controls introduced in Poland return to historical levels on 1 July 2021, based on the sunset clause included in the implementing legislation.

The financial forecasts in the business plan have been stress tested in a range of downside scenarios to assess the impact on future profitability, funding requirements and covenant compliance. The scenarios reflect the crystallisation of the Group's principal risks (with particular reference to regulatory risks) as outlined on pages 48-56 and evaluate the impact of a more challenging recovery from the impact of the Covid-19 pandemic than assumed in the business plan. Consideration has also been given to multiple risks crystallising concurrently and the availability of mitigating actions that could be taken to reduce the impact of the identified risks. In addition, we examined a reverse stress test on the financial forecasts to assess the extent to which a recession would need to impact our operational performance in order to breach a covenant. This showed that net revenue would need to deteriorate significantly from the financial forecast and the Directors have a reasonable expectation that it is unlikely to deteriorate to this extent.

At 31 December 2020, the Group had £210 million of non-operational cash and headroom against its debt facilities (comprising a range of bonds and bank facilities), which have a weighted average maturity of 3.3 years. The total debt facilities as at 31 December 2020 amounted to £624 million of which £86 million (including £40 million that is uncommitted) is due for renewal in the next 12 months. These debt facilities, together with a successful track record of accessing debt capital markets over a long period (including periods with challenging macroeconomic conditions and a changing regulatory environment), are sufficient to fund business requirements for the foreseeable future (12 months from the date of approval of the Financial Statements). Taking these factors into account, together with regulatory risks set out on page 51, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future (12 months from the date of approval of the Financial Statements). For this reason, the Board has adopted the going concern basis in preparing the Annual Report and Financial Statements.

Understanding our stakeholders

We are committed to living our purpose by meeting our responsibilities towards our stakeholders. We believe that the best and most sustainable way to create and grow long-term value for our investors is to deliver effectively for our customers, employees and agents, investors, regulators, communities and suppliers.

Our comprehensive programme of stakeholder engagement is aligned with the core business strategy and supports the key pillars in a planned and measured way. Engaging with key stakeholders helps us gain a better understanding of their needs and how Board and operational decisions impact them. We also see stakeholder engagement as being crucial to the development of an open, outward-looking culture, attaining high operational standards and delivering our strategy in order to achieve long-term sustainable value. The Board actively listens to and takes feedback from stakeholders in order to understand their needs and expectations, and consider how they are impacted by relevant decisions. We acknowledge that it may not always be possible to provide a positive outcome for all stakeholders and the relevance of each group may vary depending on the issues in focus at a particular time. This was the case during the Covid-19 crisis as consideration of customers and colleagues became even more significant in Board discussions and in making swift, informed decisions to support the Group's three guiding principles of protecting our people, prioritising our loyal customers and protecting the business.

The Board receives regular updates from senior management on insights and feedback gathered from stakeholders which allows it to better understand and consider their perspectives in guiding our strategy, risk management, day-to-day operations and decision-making. As the Group's home credit business model is focused primarily on face-to-face relationships between agents and customers, and remote working became the norm for all other colleagues, the Board received more frequent updates from the outset of the pandemic with the safety and wellbeing of colleagues and customers our priority. This higher level of reporting continued throughout the year as the potential impacts of the pandemic continued.

Engagement is undertaken in many different ways at IPF. Here we outline the main stakeholder groups which represent the key relationships that deliver value, the ways in which we interact and how this action informs strategic decision-making. We also provide a range of examples of key decisions made by the Board during the year in relation to stakeholders.

> **The Board actively listens to and takes feedback from stakeholders in order to understand their needs and expectations, and consider how they are impacted by relevant decisions.**
>
> **Gerard Ryan, Chief Executive Officer**

Investing in relationships with our stakeholders

Listening to our key stakeholders is fundamental to being a responsible business, and delivering long-term value and sustainable success. Getting to know our stakeholders and listening to their needs are critical to informing our strategic decision-making as well as understanding and responding to sustainability matters.

Customers

Why we engage

Listening to our customers allows us to build a greater understanding of their needs and behaviours so we can find ways to add value to their customer experience with us. They benefit from relevant credit products and it helps us retain quality customers and attract new ones.

Key areas of interest

- Affordability and price
- Flexible repayments
- Convenience
- Simple and seamless customer journey
- Trusted brands

How we engage and respond

- Customer visits or digital customer interfaces
- Customer satisfaction surveys
- Responsible lending principles and communications
- Collaboration on product innovation
- Website tools and product information

Impact of engagement

1.7m

customers

We lend responsibly so customers can afford to buy the things they need.

Employees and agents

Why we engage

Our culture is grounded in our values and is vital for the sustainability of the business. In addition to supporting knowledge and career development we engage with our people so that they are more effective in their role and able to provide a great customer service.

Key areas of interest

- Development opportunities
- Recognition and fair reward
- Open, straightforward communication
- Wellbeing
- Ethical, customer-focused culture
- Safe and productive working environment

How we engage and respond

- Investing in developing capabilities
- Engagement and reputation surveys
- Annual conferences and business updates
- Regular two-way communication
- Recognition and reward programmes
- Training programmes including ethics and safety
- Global Care Plan
- Intranets, MyNews app and e-communications
- Interactions with Workforce and Stakeholder Engagement Director

Impact of engagement

92%

of employees say they like working for the business

We provide engaging employment and fulfilling careers.

Regulators and legislators

Why we engage

Regulations with unintended consequences can impact our customers' ability to access regulated financial services. Together with our trade associations, we talk to regulators to build their understanding of consumer needs and our important role in extending financial inclusion.

Key areas of interest

- Regulatory compliance
- Control and supervision
- Fair pricing and promotions
- Responsible lending and best practice
- Social inclusion
- Tax contribution
- Fair employment contracts
- Business ethics training

How we engage and respond

- Sector association membership
- Public consultations
- Engagement on draft regulations
- External advisor network
- Partnership with non-governmental organisations

Impact of engagement

45

sector association memberships

We seek sustainable financial services markets that are positive for consumers and businesses.

Suppliers

Why we engage

In collaboration with our key suppliers, we develop policies and improve practices in order to minimise sustainability risk within our supply chain. Our interactions and building higher levels of supplier engagement also help extend their expertise and innovation to our business.

Key areas of interest

- Strategy and business challenges
- Business performance
- Timely payments
- Customers service requirements and opportunities
- Good reputation

How we engage and respond

- Voice of the Supplier survey
- Strategic sourcing processes
- Ongoing supplier and contract management
- Supplier due diligence and risk management processes
- Industry research
- Strategic governance processes
- Service-level performance reviews

Impact of engagement

96%

said we operate in keeping with our values

We deal responsibly and professionally with our suppliers.

Communities

Why we engage

We work in all our markets to improve the wellbeing of our communities especially through our financial education programmes which help consumers make more informed financial decisions. Building better relationships also helps attract customers, employees and agents.

Key areas of interest

- Financial literacy
- Social wellbeing
- Volunteering
- Community support programmes

How we engage and respond

- Financial literacy programmes
- Partnerships with non-governmental organisations
- Financial wellbeing research
- Employee and agent volunteering
- Supporting causes chosen by colleagues

Impact of engagement

6,790

hours of volunteering by colleagues

We contribute to organisations that offer educational and social support in our communities.

Shareholders and investors

Why we engage

Our investors expect to earn a return on their investment in a sustainable, ethical business. As a publicly listed company, we provide timely, fair and balanced information to enable investors to understand our business so that they can make an informed investment decision.

Key areas of interest

- Strategy performance and outlook
- Risk management and corporate governance
- Environmental, social and governance reporting
- Leadership capability
- Executive remuneration
- Dividend policy
- Access to management

How we engage and respond

- Ongoing dialogue and meetings
- Access to management
- Results presentations and trading updates
- Annual Report and Financial Statements
- Roadshows and conferences
- Corporate website
- Remuneration Policy engagement

Impact of engagement

500+

interactions with investors

We are communicating our focus on returning to profitability and generating sustainable returns.

Section 172(1)

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with s172(1) of the Companies Act. The content on stakeholder engagement opposite and on pages 40 to 46 highlight the key activity undertaken together with how the Directors' duties are discharged and the oversight of these duties.

These pages also set out how the Board has acted in a way that promotes the success of the Company for the benefit of its members as a whole, in accordance with the requirements of the Companies Act 2006 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) having regard to the following matters set out in s172(1) of the Act:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

▶ **Further details are also included in the Corporate Governance Report on pages 58 to 75.**

▶ **Read more on our comprehensive stakeholder engagement programme on pages 40 to 46**

Customers

The impact we have on our customers is critically important to Board decision-making. We want informed and engaged customers whose credit needs are met in an affordable way, who are delighted with the experience they receive and are advocates of our products and services. We want them to know that they have been supported throughout the pandemic and have been able to make safe and timely payments through alternative means.

- To ensure that the Board understands customer needs, all Board members visit home credit customers as part of their induction. Although induction plans were limited by Covid-19 restrictions, new Board members Stuart Sinclair and Richard Holmes accompanied agents on customer visits in Mexico before the pandemic took hold.
- Business leaders presented additional market updates during the pandemic to keep Board members appraised of customer sentiment. The Board also monitors consumer feedback via annual consumer surveys. Feedback in 2020 has been positive with customers feeling informed and supported by their agents.
- The executive directors and Group leadership team analysed customer experience as part of monthly performance reviews, ensuring it remained a top priority.
- The executive directors reviewed customer complaints regularly to understand areas where we can improve operations and our response to customers.
- The Board received regular progress updates on strategy to ensure customers are core to strategic goals. Board members also received insights and discussed the competitive landscape and changing customer needs to ensure the Group offering remains relevant.
- The annual brand tracker survey gauged consumer views on key products and services, the outcomes of which will inform our product development and communications.

Care Hero support for customers

Our Care Heroes organised practical and emotional support to customers in all our markets.

- Colleagues helped customers and members of their communities who couldn't leave home by shopping and delivering groceries and medicines.
- In Romania, we donated 200 new tablet computers to facilitate home schooling of customers' children.
- In Mexico, food packages were delivered to more than 225,000 people in conjunction with our charity partners.
- Colleagues in our European home credit markets sewed face masks for customers, medical workers and agents.

Considering stakeholders in Board decisions

Alternative payment facilities

People movement restrictions posed a difficult challenge to business operations, temporarily curtailing face-to-face contact with customers in our home credit business. In order to help customers repay their loans safely and minimise contact, the Board supported the investment to rapidly develop and introduce a range of alternative remote payment facilities. The take up of these options was very positive and supported collections effectiveness during this period. The majority of customers chose to return to repaying their agents directly when restrictions lifted but the Board has approved accelerated technology investments to improve future customer experience.

Access to credit

People movement restrictions, temporary rate caps and debt repayment moratoria impacted lending and collections. These factors were key to the Board's support of the operational decision to tighten credit settings taking into account the financial pressures that customers were experiencing and whether they could afford their credit commitment. The Board was consulted throughout the period and supported the subsequent easing of credit settings as the recovery ensued with new lending focused primarily on loyal, high-quality customers.

Our awards

EUROPEAN CUSTOMER CENTRICITY AWARDS WINNER 2020 — European Customer Centricity Award

Finansowa MARKA ROKU 2020 — Best consumer finance brand, Poland

Employees and agents

We focus on informing and engaging colleagues so they understand our purpose, feel inspired to give their best efforts when serving customers and develop their capabilities with us. Listening to feedback drives our communication and development programmes, and brings the business and colleagues closer together. In 2020, we also wanted our people to know that the business had protected them during the Covid-19 pandemic.

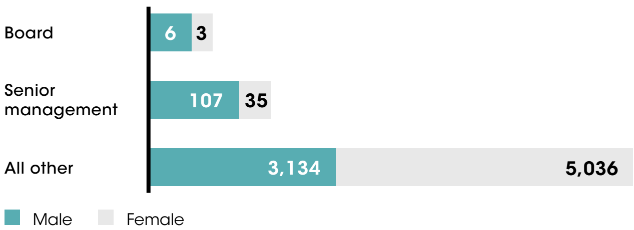
- The safety and wellbeing of colleagues was our top priority and the Board was briefed regularly on the actions taken to keep them safe during the pandemic.
- Results of care surveys conducted with employees and agents were shared with the Board and resulted in the introduction of the Global Care Plan in April, and the subsequent Winter Care Plan in November.
- The Board recognised the importance of engagement with colleagues who were forced to work remotely and supported the proactive roll out of PPE, health and safety guidance, wellbeing initiatives together with operational support and development.
- The Board monitored the rightsizing programme closely to ensure that the process was executed in a responsible, transparent and sensitive way, in line with our values.

  The Board's support of the investment in our digital 'MyNews' communications app in 2019 enabled important health and safety guidance to be communicated directly to agents' mobile phones during the pandemic.
- An annual internal reputation tracking survey measures the effectiveness of internal communications, leadership and loyalty.

Diversity

We are committed to having a diverse workforce and take steps to ensure that our business processes including recruitment, selection and reward are based purely on merit. Collaboration between our international businesses is a central dynamic in our culture and drives a strongly inclusive mindset which positively impacts and informs our approach to customers and other stakeholders.

Gender split at 31 Dec 2020



Human rights

We are committed to human rights and make a regular communication on progress through our membership of the United Nations Global Compact Network UK. We are committed to opposing slavery and human trafficking both in our direct operations and in the indirect operations of our supply chain.

▶ **Our statement on the Modern Slavery Act 2015 can be found at www.ipfin.co.uk.**

Our Global Care Plan

Q. Why was the Global Care Plan introduced?
A. It was introduced in April 2020 to support our business priorities and demonstrate clear, visible support and care for our people. It was intended to act as a golden thread of excellent employer practice and consistent standards of care for all our people and agents.

Q. What has the plan delivered?
A. What started as a plan has evolved into a dynamic programme. It has enabled the swift deployment of achievable, caring activities that have helped to create positive memories and a lasting legacy of care across our businesses whilst protecting our external reputation as a good employer.

Q. How will the Global Care Plan support future engagement?
A. The plan is now a central strategic pillar of our global HR strategy. With our seasonal focus of initiatives and activities each quarter, starting with the Winter Care Plan, we will continue to support the re-building of the business through cultivating a culture of wellness, developing and delivering tools and resources for managers to ensure their teams can thrive and continue to develop and grow our community of Care Heroes.

Employees and agents continued

The role of our non-executive director, Bronwyn Syiek, as Workforce and Stakeholder Engagement Director broadened during 2020 with a calendar of planned activities, the outputs of which were reflected in regular, formal updates presented to the Board.

Key actions and outputs

- Bronwyn had regular interactions with business leaders to gain different perspectives and ideas on how we engage. This dialogue also ensured Bronwyn could share with the Board her views on our relationships with stakeholders.
- Adapting reward structures to safeguard agents' income was a key strategic focus. Bronwyn and Remuneration Committee Chair, Cathryn Riley, spoke with Mexican agents to hear their experience of how we prioritised and adapted rewards and incentives to support their income.
- Bronwyn participated in virtual meetings with colleagues including:
  - HR director meetings to ensure a closer understanding of people strategy and activities;
  - Corporate affairs directors to discuss actions following consumer and employee surveys; and
  - IPF Digital to discuss key operational issues and take questions from colleagues.
- The results of engagement pulse surveys conducted to maintain ongoing dialogue with colleagues and track employee engagement were shared by Bronwyn with the Board.

Feedback from Bronwyn's stakeholder interactions provided an important insight into how colleagues felt about the business, its direction and actions taken to support them during the pandemic. In 2021, an annual Stakeholder Outreach Plan has been developed to ensure engagement is aligned with key strategic goals. Bronwyn will also facilitate two Board discussions focused exclusively on stakeholder engagement. This will be supported by twice-yearly reports to monitor engagement activity and underpin Board decisions.

> **Despite the challenges brought about by Covid-19, we made good progress on our engagement strategy while thoughtfully considering impacts for all stakeholders.**
>
> **Bronwyn Syiek,**
> **Workforce and Stakeholder Engagement Director**

Considering stakeholders in Board decisions and discussions

Protecting agent incomes

Agents' main source of income is commission paid on repayments made by customers. Restrictions on the movement of people resulted in our agent service to customers being disrupted and their ability to collect repayments and earn suffered. Recognising the difficulties they faced, and their crucial role in maintaining personal relationships with customers, the Board supported the protection of agents' income. The decision was taken to ensure agents continued to receive remuneration regardless of whether customers repaid their loans remotely due to lockdown restrictions or through an agent visit as would have been the case in the normal course of business. This has helped maintain agent engagement and their relationships with customers.

Safeguarding our people

Safeguarding our people is a priority for the business at any time, and even more so during the pandemic. The home credit business model depends on agents visiting customers in their homes every week, heightening the potential transmission of the virus. In order to take care of our agents and customers, the Board supported the decision to empower local markets to source PPE so agents and customers had the confidence to meet each week when this was possible and minimise the risk of contracting the virus.

Our awards

Top Employer Award, European home credit

Great Place to Work, IPF Digital in Spain

Regulators and legislators

We are fully supportive of regulation that protects consumers and ensures that only reputable businesses are permitted to provide them with financial products and services. We aim to maintain good relationships with regulators and legislators who play a key role in shaping the consumer finance sector and we strive to ensure that they understand the important role our business plays in extending financial inclusion in society.

- It was imperative that we engaged with regulators and legislators during the regulatory-intense period driven by the onset of the Covid-19 pandemic. We engaged governments and regulators through our trade associations as legislation was being developed to ensure temporary regulations served the purpose of protecting customers as well as businesses.
- We took immediate action to follow new laws and restrictions as a result of Covid-19. The Board received assurance that our loan products and operational practices complied fully with all new legislation and were aligned to the rapidly evolving regulatory framework.
- Regulatory reports to the Board included details of the external regulatory environment in each market. In light of the changing regulatory landscape, the Board recognised the importance of continuing efforts to further develop relationships with regulators. Board discussions also covered the desire to complement these efforts through participation in, and promotion of, the work of our trade associations to improve the reputation of the non-banking financial institution sector.
- We engaged regularly with regulators who have shown they are open to listen to what we have to say. Working together, this dialogue has, we believe, contributed to the better resolution of a number of significant regulatory matters for both consumers and businesses.
- Our engagement strategy focuses on being better able to anticipate legislation and is aligned with business priorities. In order to increase resilience to regulatory risk, reports on legislative trends were communicated to the Board.
- Proactive meetings with politicians, regulators and legislators were undertaken by senior management in our markets and at EU level. Areas of focus were pricing, credit risk, affordability and the EU Consumer Credit Directive.
- A virtual round table discussion in partnership with the Chamber of Commerce in Romania was hosted as a platform to discuss the consumer finance sector and economic recovery measures to fight Covid-19 with the Minister of Finance.
- Community investment initiatives were used to showcase our good reputation and the important role we play in society.
- In 2021, the Board will continue to monitor regulatory relationships and support the proactive regulatory engagement strategy in order to deliver sustainable outcomes that are positive for customers and businesses alike.

Suppliers

We cooperate professionally with our supplier partners, developing long-term relationships based on our values and mutual benefits. We want our suppliers to be informed and engaged so they are better able to understand how their products and services contribute to the delivery of our business goals.

- The Board believes in the importance of dealing with our suppliers ethically, together with maintaining collaborative relationships through which our suppliers come to understand the environment in which we operate, enabling them to better help us in meeting the needs of our customers.
- The global pandemic was a challenge both for the Group and our suppliers. Working proactively, we sought to ensure continuity of supply by understanding how the pandemic was impacting our suppliers and what we could do to address any threats. At the same time suppliers across the Group worked with us to identify opportunities to reduce costs, restructure services and agreements to meet changing requirements.
- To help gauge the experience of our suppliers in dealing with IPF, we conducted our first Voice of the Supplier survey to gain a deeper understanding of how our businesses are perceived. Through a better appreciation of our suppliers' expectations, our future focus will be to ensure more effective, responsible and sustainable partnering. The findings were shared with the Workforce and Stakeholder Engagement Director, Bronwyn Syiek. Our suppliers told us that we are seen as a responsible, straightforward and respectful customer, and they value our collaborative approach and communication. A key improvement area was the frequency of sharing our vision and strategy which our suppliers believe would enable them to support us more effectively.

Communities

We are committed to make a positive difference in the communities where we serve our customers. Our international teams support various local organisations, community groups and individuals, through financial and volunteer support to improve the quality of life for everyone. This effort was stepped up during the Covid-19 pandemic as we sought to support our communities facing exceptionally difficult circumstances.

Caring for our communities

Our people have always taken an active role in their local communities and the pandemic inspired an even greater spirit of giving and volunteering. This immense effort included a wide range of additional support for customers, neighbours, families and charities to help them cope with the difficulties of the pandemic.

- Hundreds of colleagues undertook essential shopping for vulnerable members of their community, especially those who were unable to leave their homes.
- Over sixty IPF Digital colleagues in Poland raised funds by joining sports and singing challenges to support Polish hospitals during the crisis.
- Colleagues in Poland mobilised dozens of team members across the Group to raise over £4,000 to help terminally ill children.
- Marketing expenditure was redirected to charitable causes. To support the wellbeing of its communities, our home credit business in Hungary developed a public service TV campaign featuring a well-known psychologist providing advice to the public on tackling emotional and mental health distress.
- We partnered with an NGO in Romania and insurer AXA in Poland to donate over £110,000 to support hospitals providing treatment for Covid-19.
- In partnership with Amistad Britanico Mexicana, we delivered more than 8,000 face visors to frontline health workers in Mexico.
- In response to Romania having the lowest breast cancer screening rates in Europe, a mass screening programme for all female employees in this market was implemented. More than 60% of female colleagues chose to be screened with a number requiring further investigation. The success of this initiative led our medical insurance partner using the Provident experience in a national awareness campaign, extending the positive outcomes to the wider population in Romania.
- In Mexico, we partnered the Puebla state health authority and donated 25 computer tablets to enable isolated patients in hospital to communicate with their loved ones.
- The Board supports programmes promoting financial literacy as part of our broader aim to extend financial inclusion in the communities we serve. In Mexico, our financial education campaign included participation in the first digital National Financial Education Week coordinated by various financial authorities and trade associations. In Poland, we continued our well-established programme "What about the money?!", a YouTube channel supported by Provident Polska featuring three influencers who share their experiences of managing budgets and educate young people how to make smarter decisions about money. During 2020, their focus was on how the pandemic impacted income and spending habits. IPF Digital in Australia publishes "Money matters", a blog featuring financial tips and in Romania our financial education website reflected the economic and social changes brought about by Covid-19.

£678,000
invested in local communities in 2020

6,790
hours volunteered by employees

35%
of community investment focused on healthcare

3,420
employees volunteered in 2020

26%
of community investment focused on education

Shareholders and investors

We communicate our purpose, business model and operational and financial strategies so that the investor community can make informed investment decisions. In 2020, we also invested more time to help investors understand the proactive steps we took to safeguard our people, customers and the business in response to the pandemic.

- To support our financial strategy and ensure our shareholders, providers of debt funding and credit rating agencies are informed about the business, we undertake a proactive investor relations engagement programme including regular results and strategy announcements. Information is also available on the corporate website at www.ipfin.co.uk. The impacts of the pandemic on the business resulted in a significantly higher level of engagement with investors in 2020. We communicated monthly updates covering key operational performance metrics and increased dialogue to successfully complete the refinancing of the business.
- We responded to hundreds of inbound enquires from investors during this period of uncertainty and around 350 investors attended our webcasts and conference calls.
- The move to remote working paved the way for the executive directors to host our first virtual investor road show. Dialogue focused on how Covid-19 impacted operational and financial performance, risk management, environmental, social and governance (ESG) matters, and the sustainability of the business.
- We concentrate on creating a two way dialogue with existing and potential investors. We gathered feedback following the half-year results and as part of the refinancing programme to inform the Board of investor sentiment. This is being used to guide future engagement.
- Through the Remuneration Committee, the Board consulted with the Company's major shareholders on the proposed new remuneration policy which was tabled at the 2020 AGM.
- Restrictions resulting from the pandemic meant IPF's annual meeting for major shareholders, hosted by the Chairman and Senior Independent Director, was postponed. If people movement restrictions allow, this activity will be undertaken in 2021.

"We significantly increased engagement as part of our strategy to update investors regularly on key operational performance metrics during the pandemic, and to successfully complete the significant refinancing exercise."

Justin Lockwood, Chief Financial Officer

Considering stakeholders in Board decisions

Dividend payments

In response to the pandemic, preserving liquidity was a key action taken to protect the business. The 2019 final dividend, due to be paid in May 2020, was discussed by the Board and advisers consulted to ascertain the implications associated with cancelling payment. Having considered market sentiment and the approaches taken by other organisations, the Board concluded that conserving cash and maximising financial flexibility in the long term was in the best interests of the Group and its stakeholders, in particular, shareholders. Accordingly, it was announced in April that the Board had decided to cancel the proposed 2019 final dividend payment. The Board further considered the trading performance and expectations of the business at the half and full year and concluded that it was not appropriate to declare any dividends in 2020.

Increased dialogue with investors

The impact of the pandemic on global markets together with the operational challenges we faced from March onwards, adversely impacted investor sentiment. In response, the Board took the decision to issue more regular market updates to ensure that investors were kept informed of relevant developments and reassured in our Covid-19 response. This resulted in seven trading updates being published in 2020, in addition to the half-year and quarterly statements which form part of our normal investor communication programme. The additional engagement generated a high level of positive feedback from investors at a time of great uncertainty.

Environment

As a consumer financial services business, our direct impact on the environment is lower than that of other sectors, but we recognise that our day-to-day use of transport, energy and natural resources should be conducted in a way that creates the least possible harm to the environment.

We seek to minimise our impact on the environment where possible by regularly reviewing our direct and indirect impact on an annual or bi-annual basis. We report against pre-set environmental KPI's and in accordance with the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013. Detailed data is compiled by our finance teams in all our business units and aggregated and analysed by our sustainability function.

Our environmental policy and strategies support this approach and the actions we take to minimise and reduce our environmental footprint include:

- regular reviews of our car fleet to achieve incremental reductions in fuel consumption and CO_2 emissions;
- route optimisation for our agents and field employees when they are visiting customers at home;
- introducing new technology in particular mobile phone sales and collections apps for use by agents, thereby reducing paper usage and improving efficiency; and
- office consolidation in some of our European markets.

Greenhouse gas reporting

We have reported on the most material carbon emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We applied the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard to calculate our emissions data, and used emission factors from the UK Government's GHG conversion factors and the IEA emission factors for non-UK electricity. The emission data covers all our offices and these sources fall within our Consolidated Financial Statements. Where available data was incomplete, we have extrapolated data.

In 2020, our GHG emissions for scope 1 and 2 decreased by 29.8% compared with 2019. This significant change to the our carbon footprint was driven by a number of pandemic-related impacts. People movement restrictions resulted in agents making fewer customer visits particularly during the first wave of the pandemic in Europe. In addition, we reduced business travel significantly, including a ban on all international travel from March, and moved to collaborating and hosting meetings and events virtually when they could not be conducted face to face. Together, these factors contributed to lower fuel consumption in 2020. Most customers have since chosen to see their agents at home, and we expect agent fuel usage to increase towards more normalised levels in 2021. However, we plan to continue using technology for meetings, where appropriate, which will deliver further environmental and cost benefits. The pandemic also forced the vast majority of employees to work remotely from home from mid-March which resulted in an 11.8% decrease in energy consumption in our offices compared with 2019. In the medium term, we expect we will have a smaller office footprint as employees work remotely more frequently. CO_2 emissions per customer reduced by 17.2%. Our Group head office is located in the UK and energy use in this location was 0.7% as a percentage of overall Group GHG emissions.

Our carbon emissions report has been reviewed and verified by Be Sustainable Limited. We aim to further improve our environmental data collection and management system by considering recommendations from this review. In 2021, we will also begin our journey to review business processes and develop our disclosure of climate-related risks and opportunities aligned to the TCFD framework.

		Tonnes CO_2e		
Carbon emissions sources	Travel and utilities	2019	**2020**	Difference
Scope 1	Gas	927	**1,008**	8.7%
	Business travel by car	24,273	**16,304**	(32.8%)
Scope 2	Purchased electricity and district heating	3,236	**2,665**	(17.6%)
Scope 1 & 2		28,437	**19,976**	(29.8%)
	CO_2e emissions by customer	0.013	**0.011**	(17.2%)

Note:
Scope 1 carbon emissions do not include emissions from air conditioning systems as it is difficult to collect this data for all the offices we lease.

Scope 2 carbon emissions have been calculated using location-based methodology. IEA electricity emission factors have been used for non-UK countries for more precise accounting. Note that the IEA electricity factors are for CO_2 and not CO_2 equivalent (CO_2e).

Scope 2 carbon emissions have not been calculated using market-based methodology because our offices tend to be a small part of larger managed premises, with energy costs included as part of the overall rent. Therefore, IPF gathering details of the specific energy supply for its offices accurately would not be possible.

ESG ratings

MSCI ESG RATINGS AA — MSCI*

FTSE4Good — FTSE4Good

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Non-financial information statement

The table below sets out where stakeholders can find information in our Annual Report that relates to non-financial matters detailed under section 414CB of the Companies Act 2006.

Reporting requirement	Relevant policies	Relevant section of our report	Measurements of effectiveness
Business Model		• Our business model – p14-15 • Delivering our social purpose – p10-11 • Key performance indicators – p24-25 • Principal risks and uncertainties – p48-56	• Customer numbers • Customer retention • Customer satisfaction
Employees	• Code of ethics • Group health and safety policy • Wellbeing policy • Diversity policy	• Stakeholder review: Employees and agents – p41-42 • Stakeholder review: Diversity – p41 • Board diversity – p77 • Equal opportunities – p73 • Principal risks: People and Safety risks – p53 and p55	• Employee and agent retention • Risk assessment completion by agents in home credit markets • Percentage of relevant employees and agents completing safety training
Human Rights	• Code of ethics • Human rights and modern slavery policy	• Chairman's statement: Our values – p9 • Code of ethics – p11 • Stakeholder review: Human rights – p41	• Access to confidential whistleblowing service • Percentage of relevant employees and agents completing ethics and modern slavery awareness training
Social Matters	• Code of ethics	• Delivering our social purpose – p10-11 • Principal risks: Reputation risk – p54 • Stakeholder review: Communities – p44	• Investment in local communities • Hours of employee volunteering

Anti-bribery and corruption	• Anti-bribery and corruption policy
	• Gifts and hospitality policy
	• Anti-facilitation of tax evasion policy
		• Stakeholder review: Code of ethics – p11
		• Anti-bribery policy – p73
			• Percentage of relevant employees and agents completing:
			  • anti-bribery training;
			  • ethics training; and
			  • anti-facilitation of tax evasion training.
			• Coverage of current anti-bribery risk assessments
			• Completion of current anti-facilitation of tax evasion risk assessment

Environmental Matters		• Greenhouse gas reporting – p46	• Tonnes of CO_2e emissions per customer per annum
Principal Risks		• Principal risks and uncertainties – p48-56	
Non-financial KPIs		• Customers and customer retention – p24 • Employee and agent retention – p24	

Read more about ESG on page 75

Principal risks and uncertainties

Effective management of risk, uncertainties and opportunities through our risk management process has been critical to our business this year more than ever. In the face of a challenging external environment, we are managing risk to support the pursuit of our strategic priorities to create value for all our stakeholders.

Risk management process

Our Board and senior management group are committed to continuous improvement and investment in the risk management process. The principal risks to our strategy are identified, evaluated and managed at Group level in accordance with our risk governance and oversight structure, as presented on page 50. We operate similar structures in each of our home credit markets and IPF Digital. A bottom-up assessment of principal risks by our business unit teams is aggregated by their Group-level owners and then validated to produce an overall assessment of those risks.

We continue to manage the same principal risks as last year, but we have reviewed the defined scope of each risk to ensure it accurately reflects our current risk environment.

We set out our principal risks, a summary of key controls and mitigating factors as well as their movement during the year on pages 51 to 56.

Risk appetite

We evaluate each principal risk at least quarterly based on the likelihood and potential financial impact at both market and Group level. We consider two aspects:

- inherent risk – the level of the risk before internal controls; and
- residual risk – the risk that remains after the effect of current controls is considered.

Using this assessment, we identify the level of current risk and determine whether further actions are required to mitigate the risk to fit within our Board-approved risk appetite levels.

This process also identifies risks that have a high reliance on the effective operation of our internal control system, which in turn guides the planning of our internal audit team's work.

Key areas of focus in 2020

During 2020 we operated in an exceptionally challenging external environment driven by the Covid-19 pandemic. Governments in our markets implemented a range of measures that placed restrictions on the movement of people together with changes to regulations that impacted our businesses including the temporary tightening of price controls and debt repayment moratoria. These measures had a significant impact on our businesses particularly in respect of the safety of our people, liquidity management, funding and credit risk. These risks were managed through our risk management framework with Group and local risk owners continuing to be responsible for the management of the risks in their areas. This was augmented through the implementation of a Covid-19 leadership team that comprised business unit leaders and Group functional directors and who met regularly to manage the Group's overall response to the pandemic (see pages 4 and 5 for more information). The Group's appeal in respect of the 2008 and 2009 Polish tax cases was heard in March 2020 and the court found in the Group's favour which resulted in the repayment of the tax paid in January 2017 plus interest (see page 35 for more information). Details of regulatory developments during the year are set out in the Chief Executive Officer's review on pages 18 to 21 and in the Operational review on page 27.

A third-party review was performed by a leading professional services firm in order to validate our approach to risk management and governance. It concluded that our processes were mature and identified opportunities for further enhancements which will be evaluated in 2021. The assurance delivered by internal audit is an important input to the Board in their supervisory role in respect of the risk management process as well as providing a clear focus for its planned continuous improvement.

Overall assessment

The Board is responsible for the overall stewardship of our system of risk management. The Board has completed its assessment of the Group's principal and emerging risks and concludes that the current risk profile is within its tolerance range.

▶ **Further information on regulation is included in the Chief Executive Officer's review on page 19 and the Operational review on page 27. Further details on funding and taxation can be found in the Financial review on pages 33-36.**

> **Our risk management process was tested in 2020, the outcome of which is our assessment that it continues to support the sustainability of the business.**
>
> Justin Lockwood, Chief Financial Officer

Key areas of focus in 2021

In 2021, we will focus on managing the risks associated with rebuilding the business as we recover from the impact that the pandemic is continuing to have on the Group. In particular, the management of credit risk and collections and our aim to bring impairment back into our target range of 25% to 30% is expected to be key in this regard. In addition, we will continue to focus on exiting the temporary governmental price controls and debt repayment moratoria in an effective manner. We will further evolve our risk management framework to maintain an effective and efficient process following the external review performed in 2020, but also consider the enhanced process to assess and report on climate-related risks and opportunities.

Covid-19 and Brexit

The Group's response to Covid-19 and to Brexit has been an important focus this year.

The advent of the Covid-19 pandemic had a significant impact on the Group's operations. Our initial response was executed swiftly via the Group's crisis management process, by which key members of the Group's central and local leadership met regularly to co-ordinate our overall response. The longer-term impact of Covid-19 on our strategy and principal risks was managed by Group-level risk owners as part of our formal risk management process.

The Brexit impact on our risk profile was assessed throughout the year and after putting mitigation in place for potential tax, cross-border movement of people and currency risks, we believe that Brexit will not have a significant impact on the Group's long-term profitability. The agreement between the UK and EU in December 2020 confirms our initial assessments. Further details can be found in the Chief Executive Officer's review on page 20.

Our framework for the identification, evaluation and management of our principal and emerging risks

The Board

The Board determines the nature and extent of the principal risks it is willing to take in achieving our strategic objectives (as described on pages 22 to 23) and target business model (as described on pages 14 to 15), taking account also of the environment in which the Group operates. The Board approves the principal and emerging risks as described in the Group Schedule of Key Risks on a six-monthly basis and approves the risk appetite annually.

Audit and Risk Committee

On behalf of the Board, the Committee reviews the Group's processes for the management of the principal risks and its systems of internal control. The Committee receives and challenges the Group Schedule of Key Risks together with regular reports and presentations on the effectiveness of the control environment. It reviews the adequacy of the actions being taken by management to manage risks to within risk appetite levels. The Committee undertakes a robust assessment of the Group Schedule of Key Risks on a six-monthly basis.

▶ **See page 78 for Committee membership and remit.**

Risk Advisory Group

The Risk Advisory Group comprises members of the senior management group. It supports the Audit and Risk Committee by reviewing the level of risk exposure facing the Group against risk appetite, to ensure that the Group's risk-taking and response are appropriate. It meets four times each year.

▶ **See page 81 for activities undertaken by the Risk Advisory Group.**

Management Team

The management team is responsible for day-to-day risk management and internal control systems. Risk identification, evaluation and management processes form an integral part of business processes. Control and oversight activities are identified for all risks in the Group Schedule of Key Risks.

Risk ownership

Business unit-level risk ownership: business-level management identifies, assesses and controls risks principally at market level and also within major projects and change initiatives. This level represents the first line of defence.

Group-level risk ownership: Group-level management risk owners provide oversight on the effectiveness of the risk management and internal control systems. This level approximates to the second line of defence.

Independent-level risk ownership: Internal Audit reviews the operation of and oversight to the systems of internal control, including risk management. The Group Head of Internal Audit reports independently to the Chairman of the Audit and Risk Committee and operationally to the Chief Financial Officer.

Principal risks and uncertainties

As at the year end, the Board considered that there are 17 principal risks which require ongoing focus (noted with asterisks in the table below).

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**	
		• Legal and regulatory compliance*	• Compliance with existing consumer credit laws and regulations
		• Legal and regulatory challenges and issues*	• Challenges to interpretation or application of existing laws and regulations
		• Future legal and regulatory development*	• Anticipating and responding to changes to laws and regulations
		• Data protection and privacy*	• Compliance with existing data protection and privacy regulations
		Competition and product proposition	
		• Competition*	• Responding to changes in market conditions
		• Product proposition*	• Meeting customer requirements
		Funding, market and counterparty	
		• Funding, liquidity, market and counterparty*	• Funding availability to meet business needs • Market volatility impacting performance and asset values • Loss of banking partner
		World economic environment*	• Adapting to economic conditions
		Taxation*	• Changes to, or interpretation of, tax legislation
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	• Maintaining customer service standards
Operational	The risk of unacceptable losses as a result of inadequacies or failures in our core internal processes, systems of people behaviours.	• Credit*	• Customers fail to repay
		• Safety*	• Harm to our agents/employees
		• People*	• Lack of people capability
		• Business continuity* and information security*	• Recoverability and security of systems and processes
		• Financial and performance reporting	• Failure of financial reporting systems and processes
		• 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, due to internal or external factors.	• Change management*	• Delivery of strategic initiatives
		• Brand	• Strength of our customer brands

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

Risk	Relevance to strategy	Mitigation	Commentary
1 Regulatory			
D M E (Risk environment worsening) (Risk appetite stable) **Lead responsibility: Chief Executive Officer** 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 (including data protection and privacy laws), or due to 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 fully assessed and informed commercial risks.	**Impact** Changes in regulation, differences in interpretation or clarification of regulation, or changes in the enforcement of laws by regulators, courts or other bodies can lead to challenge of our products and/or practices. We monitor legal and regulatory developments to ensure we maintain compliance, remain competitive and provide value for our customers. **Likelihood** The likelihood of legal and regulatory change and the impact of challenge vary by market, but the majority have already introduced price legislation and strengthened consumer protection regulation, although there remains a risk that further changes may be made.	We have highly skilled and experienced legal, public affairs, compliance and privacy teams at Group level and in each of our markets They monitor political, legislative and regulatory developments and risks. Expert third-party advisors are used where necessary to support these efforts. We engage with regulators, legislators, politicians and other stakeholders. Active participation in relevant sector associations contributes to our monitoring, and influencing capabilities. Our compliance programme focuses on key consumer legislation including in relation to data privacy. Oversight of regulatory risks by the legal leadership team. Regular reporting to the Audit and Risk Committee on key regulatory and compliance risks.	In response to the pandemic, governments in several of our markets introduced temporary regulation, including price controls and debt repayment moratoria. We have a strong track record of responding successfully to regulatory changes while maintaining profitability, and engaging with regulators to ensure changes actually benefit our customers. Our swift response focused on operational resilience, flexible repayment options for customers, product modifications and credit risk management minimised the impact as far as possible. Legislation further tightening price controls in Finland limited the economic returns of lending in this market and the decision was taken to collect out the portfolio. In Poland, new market standards for early settlement rebates are expected to be implemented during the course of 2021. For more information see the Chief Executive Officer's review on page 19 and the Operational review on page 27.
2 Competition and product proposition			
D M E (Risk environment improving) (Risk appetite stable) **Lead responsibility: Chief Executive Officer** We suffer losses or fail to optimise profitable growth through failure to be aware of and respond to the competitive environment or failing to ensure our proposition meets customer needs while we maintain product profitability. **Objective** We aim to ensure we understand competitive threats and deliver customer-focused products to drive profitable growth.	**Impact** In an environment where customer choice is growing, ensuring our product meets customers' needs is critical to delivering a sustainable business. **Likelihood** We continue to operate in highly competitive markets with regular new products and services being made available to our customer segment. The nature of competition varies by market.	Regular monitoring of competitors and their offerings, advertising and share of voice in our markets. Strategic planning and tactical actions are developed in response to competitive threats. Product development committees and processes in place across the Group to review the product development roadmap, manage product risks and develop new products, which meet customer needs and are compliant with relevant regulatory requirements.	Our markets continued to be highly competitive at the start of 2020 which eased from Q2 as a number of competitors scaled back operations and marketing due to funding challenges, economic caution or temporary regulation resulting from Covid-19. At the same time, more consumers have moved to borrowing online, accelerating take-up of new models, particularly those providing integrated credit and payment experiences. In response, IPF Digital extended its mobile wallet offering, which complements instalment loans and credit line offerings, providing banking-like services to customers. We focused product development on innovating to better respond to customer requirements and align our products to temporary regulation in our European home credit markets. This included offering lower value, shorter-term loans also reflecting the credit risk the pandemic has had on the income level of households and individuals. In Mexico, competition is relatively stable and is dominated by offline competitors who continue to expand territories and digitise elements of their customer journeys.

Link to strategy

- D Growth focus – IPF Digital
- M Growth focus – Mexico home credit
- E Returns focus – European home credit

Risk environment

- Risk environment improving
- Risk environment remains stable
- Risk environment worsening

Risk appetite

- Risk appetite increasing
- Risk appetite stable
- Risk appetite decreasing

Risk	Relevance to strategy	Mitigation	Commentary
3 Taxation			
D M E **Lead responsibility: Chief Financial Officer** We suffer financial loss arising from a failure to comply with tax legislation or adoption of an interpretation of the law which cannot be sustained together with the risk of a higher future tax burden. **Objective** We aim to generate shareholder value through effective management of tax while acting as a good corporate citizen. We are committed to ensuring compliance with tax law and practice in all of the territories in which we operate.	**Impact** Against 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 or challenges to tax positions varies by market. This may increase due to Covid-19 budget deficits. Globally, OECD and EU-led developments may lead to further changes in tax law and practice and an increase in audits and enquiries into cross-border arrangements.	Tax strategy and policy in place. Qualified and experienced tax teams at Group level and in market. External advisers used for all material tax transactions in line with tax strategy. Binding rulings or clearances obtained from authorities where appropriate. Appropriate oversight at executive level over taxation matters.	See the Financial review on pages 35 and 36 for further detail on taxation. In March 2020, the Warsaw District Administrative Court upheld our appeal against the Tax Chamber's decisions in respect of 2008 and 2009. The successful conclusion of the long-running Polish tax dispute resulted in full recovery of the tax paid together with repayment interest. Following this result there are no open tax audits in Poland. During 2020, tax audits in Hungary, Finland and Spain were closed with no material findings. We have an ongoing tax audit in Mexico. We await a decision of the General Court of the European Union regarding applications for the annulment of the European Commission's Decision on State Aid announced in April 2019. Further information regarding risks associated with the Group's finance company is set out in note 32.
4 Technology and change management			
D M E **Lead responsibility: Chief Executive Officer** We suffer losses or fail to optimise profitable growth due to a failure to develop and maintain effective technology solutions or manage key business projects in an effective manner. **Objective** We aim to effectively manage the design, delivery and benefits realisation of major technology and strategic business projects and deliver according to requirements, budgets and timescales. We look to maintain systems that are available to support the ongoing operations in the business.	**Impact** A core part of our strategy is to modernise our home credit operation and invest in digital developments. Effective management of the initiatives within this programme is essential. The Group is currently undergoing a large project programme which carries significant levels of inherent risk. Failure to deliver projects or maintain our IT estate could lead to issues in benefits realisation or business disruption. **Likelihood** Our project programme is complex, covering numerous markets. As such there is a level of risk associated with its delivery. Unforeseen outages can happen against key systems as a result of change or failures in technology.	Change management framework and process in place. Programmes are continually reviewed with strong governance of all major delivery activity. Ongoing reviews of our services and relationships with partners ensures effective service operations are maintained. Annual review undertaken to prioritise investment required in underlying technology ensures appropriateness of the underlying technology estate. A dedicated Technology Committee to oversee technology and change risks.	Further details can be found in the Technology Committee report on pages 84 and 85. We recognise that the successful delivery of our strategy is dependent on effective change across the Group. In order to keep pace with technology advances and maintain our position as a leading non-banking financial institution in our markets, the change agenda we run each year, and especially those initiatives driven by IT, is significant. Our key focus in 2020 was to deliver agent mobile technology and provide support with the centralisation of our field administration centres. In addition, as a response to the pandemic, we introduced several alternative core digital processes, including online sales features on our agent app and remote collections facilities for home credit customers. To support these developments, an updated, more effective, change management framework and process was introduced across the Group.

Risk	Relevance to strategy	Mitigation	Commentary
5 People			
D M E **Lead responsibility: Chief Executive Officer** 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 breadth of capabilities and depth of personnel to ensure that we can meet our strategic objectives.	**Impact** In order to achieve our strategic goals, we must continue to attract, engage, develop, retain and reward the right people. The very nature of people risk means that it is often difficult to reduce the frequency with which risks occur; however, our controls are aimed at lowering the impact of any risks. **Likelihood** Our processes, policies and practices are designed to reduce the likelihood of a significant impact with respect to people risk. The Group has strong governance around people risk including our people, organisation and planning process used to mitigate talent risks and our HR control environment.	Our HR control environment identifies key people risks and the key controls that we have in place to mitigate them. The key people-risks and commensurate controls cover: • Appropriate distribution of strategy-aligned objectives • Monitoring and action with regards to key people risks and issues • Key people-processes • Appropriate use of reward and compliance with delegated authority from the Remuneration Committee	In responding to the Covid-19 pandemic, we took the strategic decision to put the health and safety of our people first. It was also necessary to implement a risk management strategy to rightsize the organisation to support a smaller global business. Our people strategy to safeguard the organisation through Covid-19 comprises three pillars: I. our Global Care Plan was created to provide an end-to-end framework to ensure a global strategic umbrella for the health and safety of our people and their wellbeing; II. as well as protecting the health and safety of our field force, we took steps to protect earnings, adapt commission and incentive schemes and change performance programmes for our agents and customer service teams. These actions resulted in a stable people turnover outcome; and III. we stopped all discretionary and controllable people costs, including cancellation of bonus schemes, withdrawal of PSP, a global freeze on recruitment and cessation of development activities. We also undertook an organisational restructure to rightsize the business.
6 Business continuity and information security			
D M E **Lead responsibility: Chief Executive Officer** We suffer losses or fail to optimise profitable growth due to a failure of our systems, suppliers or processes or due to the loss, theft or corruption of information. **Objective** We aim to maintain adequate arrangements and controls that reduce the threat of service and business disruption and the risk of data loss to as low as reasonably practicable.	**Impact** We record, update and maintain data for each of our customers on a daily basis. The availability of this data, the continued operation of our systems and processes, and availability of our critical suppliers, are 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.	There is periodic testing and ongoing monitoring of security and recovery capability for technology and premises. Skilled team with relevant specialist qualifications. A dedicated committee in place to oversee business continuity, information security, and technology and change risks.	The continuity of our core sales and collections processes has been significantly challenged during this pandemic. However, the significant focus on people safety has resulted in only very limited impact on business continuity risk. Another area with high potential inherent risk is the financial and operational robustness of our suppliers, and in particular, the technology suppliers on which our core systems depend. To manage this risk, we performed regular risk assessments on the key suppliers and have worked to develop internal capabilities as an effective contingency response. In response to the potential data breach risk generated by moving employees to remote working, all home credit markets implemented a range of security controls including Multi-factor Authentication which secures our remote working. IPF Digital is reviewing its security controls to minimise any future losses to the business.

Risk	Relevance to strategy	Mitigation	Commentary
7 Reputation			
D M E **Lead responsibility: Chief Executive Officer** 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 based on our ethical standards, our commitment to responsible lending via proactive engagement with all our stakeholders. with the aim to help the Group deliver its strategic objectives.	**Impact** Our reputation and that of the consumer lending sector can have an impact on both customer sentiment and the engagement of key stakeholders, impacting our ability to operate and serve our customer segment. Some elements of this risk relate to external factors that are beyond our influence. Controls in place have reduced residual risk. There is now limited ability to reduce this significantly. **Likelihood** We maintain strong relationships with key stakeholders in order to develop their understanding of our business model our role in society and economy and how we deliver services to our customers. This helps protect the business from unforeseen events that could damage our reputation.	Clearly defined corporate values and ethical standards are communicated throughout the organisation. Employees and agents undertake annual ethics e-learning training. Regular monitoring of key reputation drivers both internally and externally. Media strategy to support the key drivers of our business reputation and that of the non-banking financial institution sector. Strong oversight by the senior management group on reputation challenges.	We continued to receive awards for the way we conduct our business. We were recognised for delivering high standards of customer experience, as a top employer and for being a socially responsible business. At the heart of our home credit business around 17,000 agents are meeting and talking to our customers every week. Taking action to protect our agents and customers during the pandemic contributed to ensuring our business reputation was maintained throughout these challenging times. Our internal reputation tracking survey found 92% of employees and agents said that they like working for the business. This positive result is confirmation of our investment in reputation management and internal communication.
8 World economic environment			
D M E **Lead responsibility: Chief Financial Officer** 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.	**Impact** Changes in economic conditions may have an impact on our customers' ability to make repayments. This risk is led entirely by external factors that are not controllable and is driven by the business model and in particular the specifics of the markets in which we operate. **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 business models.	Treasury committees review economic indicators. Monitoring of macroeconomic conditions, geopolitical events on financial markets and national news briefings. Strong, personal customer relationships inform us of individual customer circumstances.	The fast-paced growth of unsecured consumer lending in previous years decreased during 2020 due to the pandemic. The pandemic also led to lower levels of consumer confidence, reduced household spending and financial institutions, in particular banks, being less willing to lend money in these uncertain times. As a result, central banks across the globe lowered reference interest rates to encourage consumption. Despite a further wave of Covid-19 cases in Q4 2020, news of several successful vaccine tests raised expectations that economic activity will bounce back significantly in 2021 together with increased demand for consumer credit. In recent years, our risk universe has evolved, and world economic risk factors are now considered as specific risks impacting our business in other principal risks, like credit, funding and taxation. As a result, starting in 2021, we will remove the world economic risk category from the principal risks list and reflect these macroeconomic factors in the above-mentioned categories.

Risk	Relevance to strategy	Mitigation	Commentary
9 Safety			
D M E **Lead responsibility: Chief Executive Officer** The risk of personal injury or harm to our agents or employees. **Objective** We aim to maintain the highest standards and controls to reduce the risk to the lowest level as is reasonably practicable.	**Impact** 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 while performing their role is paramount to us. **Likelihood** Safety risks typically arise from the behaviour of individuals both internal and external to the business and, therefore, it is not possible to remove the risk entirely with the current business model involving 17,000 agents. Improvements, however, are constantly sought to reduce the risk where possible.	Market safety committees and safety management systems in place based on internationally recognised standards. Annual safety survey. Biannual risk assessment for each agency including mitigation planning and field safety training. Annual self-certification of safety compliance by managers. Regular branch safety meetings and safety awareness campaigns. Role-specific training and competence.	The safety of our people, particularly agents, was a key risk management area during 2020. While we provided our customers with alternative payment facilities, most chose to return to repaying their agent when people movement restrictions were lifted. In response, we concentrated our efforts on implementing systems of work to keep our agents safe including extensive Covid-19 prevention training and the provision of PPE. Safety committees met frequently across the Group providing assurance and oversight of health and safety risk management. We hold the ISO 45001 Occupational Health and Safety Management Standard in all European home credit businesses with a plan for our Mexico home credit business to enter the ISO 45001 accreditation process in the second half of 2021. We have a safety strategy specifically for our Mexico home credit business where inherent risks are greater than those in Europe both in terms of likelihood and impact.
10 Funding, liquidity, market and counterparty			
D M E **Lead responsibility: Chief Financial Officer** The risk of insufficient availability of funding, unfavourable pricing, a breach of debt facility covenants, or that performance is significantly impacted by interest rate or currency movements, or failure of a banking counterparty. **Objective** We aim to maintain a robust funding position, and to limit the impact of interest rate and currency movements and exposure to financial counterparties.	**Impact** Funding at appropriate cost and on appropriate terms, and management of financial market risk, are necessary for the future growth of the business. **Likelihood** Board-approved policies require us to maintain a resilient funding position with good headroom on undrawn bank facilities, appropriate hedging of market risk, and appropriate limits to counterparty risk. The residual risk after the mitigation is in place represents the impact of changes in financial markets on the Group's funding position and the period of time until the bonds mature.	Adherence to Board-approved policies monitored through the Treasury Committee, finance leadership team and regular reporting to the Board. Funding plans presented as part of budget planning. Senior management group oversight. Strong relationships maintained with debt providers.	Further information on funding is in the Financial review on pages 34 and 35. The refinancing of the Group's Eurobond was completed in November 2020, together with amendments to covenants on the Sterling and Swedish Krona bonds, and the Group's bank facilities. The impact of Covid-19 on the financial markets and our trading performance resulted in an increased cost of this funding. In order to protect the business, we swiftly implemented a successful liquidity management strategy as restrictions on people movement and debt moratoria adversely impacted collections effectiveness. Lending was restricted and we took effective action to manage costs and preserve cash. During the first half of the year, the Group's credit ratings were reaffirmed by Moody's and Fitch Ratings at Ba3 and BB respectively. Moody's maintained its rating and stable outlook in May. Fitch Ratings subsequently downgraded its rating to BB- with negative outlook. The Group will continue to be funded from a combination of equity, retained earnings, bond issues and bank facilities. Hedging of market risk and limits on counterparty risk are in line with Board-approved policies.

Risk	Relevance to strategy	Mitigation	Commentary
11 Credit D M E **Lead responsibility: Chief Executive Officer** The risk of the Group suffering financial loss if its customers fail to meet their contracted obligations or the Group failing to optimise profitable business opportunities because of its credit, collection or fraud strategies and processes. **Objective** To maintain robust credit and collections policies and regularly monitor credit performance.	**Impact** With the intended growth plans for IPF Digital and Mexico home credit, it is important that we retain control of credit losses in order to achieve our intended returns. For the European home credit businesses, we focus on writing profitable business to deliver strong returns to invest in building a long-term sustainable future. The nature of the business is such that the financial impact of credit risk, even at appetite levels, is substantial. Reducing credit risk further could result in reduced revenue and increased cost ratios. For new businesses, credit risk is higher due to the lack of historical data our credit scorecards rely upon to make adequate lending decisions and a higher proportion of new customers than in the established markets. **Likelihood** In normal times, our control environment means that we will see issues quickly and the systems in place mean that we can change credit settings quickly, and therefore the likelihood of suffering large losses is low. However, the unprecedented impact of Covid-19 caused significant disruption and resulted in impairment moving outside our target range.	A comprehensive credit control framework developed using data from years of experience operating in our specific customer segment and the markets in which we operate. Weekly credit reporting on the quality of lending at the time of issue as well as the overall portfolio. This feeds into weekly performance calls between each business and the Group credit director. Monthly local credit committees, a monthly Group credit committee and monthly performance calls between each business and the Group management team. When a change is introduced, the credit systems allow for a testing approach that compares the current 'champion' regime against the new 'challenger'. Scorecard and portfolio quality monitoring. A comprehensive control framework which covers the internal and external fraud risks along with anti-money laundering supported by roles and responsibilities covering frontline controls monitoring and reporting on results and audit of the control framework. Specific controls to cover anti-bribery.	In contrast to the positive start to 2020, as the Covid-19 pandemic took hold we took the decision to optimise collections and tighten credit rules significantly in order to protect liquidity. This prudent approach resulted in a reduction in credit issued but has provided a solid foundation on which we will rebuild the business. We modified our credit risk parameters to ensure we lend to our highest-quality customers, that fit our normal risk profiles but being aware that those profiles might change. Another risk factor impacting our business results is the capacity and availability of debt sale partners across the Group. Many experienced difficult trading and offers either stopped or reduced in price. Credit control actions taken in Mexico home credit and IPF Digital's new markets in the last two years delivered improved credit quality prior to the pandemic.

Viability statement

The Directors have assessed the long-term prospects of the business and taken into account:

- the impact of Covid-19 and structural changes impacting business growth and profitability;
- the beneficial portfolio effect of operating across a number of different jurisdictions which mitigates concentration risk;
- IPF's multi-channel strategy and strategic priorities;
- risk appetite, principal risks and risk management processes;
- that IPF provides access to regulated credit in a responsible, transparent and ethical manner, for people who might otherwise be excluded from mainstream credit operators acknowledging that it is possible to regulate away the supply of credit but not the demand; and
- the historic resilience of the IPF business model over a decades long period including times of adverse macro-economic conditions and a changing competitive and regulatory environment.

Assessment of continuing operations

Whilst the impact of Covid-19 on the business was material, the Group has a clear strategy to rebuild its businesses and deliver long-term profitable growth as set out on pages 18 to 21. The Group has a robust capital structure supported by significant equity and a balanced portfolio of debt funding, the largest element of which matures in 2025, all of which together form the strong capital foundations required to support business growth. Based on this analysis, 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 the period of three years from the date of this report and that the Group has adequate long-term prospects. 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.

Business planning and stress-testing

The Group undertakes an annual business planning and budgeting process that includes updated strategic plans together with an assessment of expected performance, cash flows, funding requirements and covenant compliance. The financial forecasts in the business plan have been stress tested over a range of downside scenarios to assess the impact on future profitability, funding requirements and covenant compliance. The scenarios reflect the crystallisation of the Group's principal risks (with particular reference to regulatory risk) as outlined on pages 27 and 51, and evaluate the impact of a more challenging recovery from the impact of the Covid-19 pandemic than assumed in the business plan. Consideration has also been given to multiple risks crystallising concurrently and the availability of mitigating actions that could be taken to reduce the impact of the identified risks. In addition, the Group undertook a reverse stress test on the financial forecasts to assess the extent to which a recession would need to impact our operational performance in order to breach a covenant.

Viability Assessment

The Directors have determined that three years is an appropriate period over which to provide the Viability Statement because it aligns to the key period of the planning process, and reflects the relatively short-term nature of our business and our ability to change products, adjust credit risk in the receivables book and flex our business model. Delivery of the business plan is expected to require the Group to access wholesale funding markets in 2022 and the Directors have assumed that those markets remain accessible so as to allow the Group's existing arrangements to be refinanced and further funding put in place if necessary, and that the legal, taxation, and regulatory framework allows for the provision of short-term credit to the markets in which the Group operates.

▶ **For further information on funding see pages 34 and 35.**

Approval of the Strategic Report

This Strategic Report has been approved by the Board of Directors and signed on its behalf by:

Gerard Ryan
Chief Executive Officer

3 March 2021

Chairman's introduction

> **The foundation of any resilient business is a strong corporate governance framework to support the long-term success and sustainability of the business.**

Stuart Sinclair
Chairman of the Board

Welcome to the Corporate Governance Report for the year ended 31 December 2020. In my new position as Chairman of the IPF Board I am very pleased to have this opportunity to make my first personal statement on the Company's approach to corporate governance. I am grateful to my predecessor, Dan O'Connor, for his support when I joined the Board in March. It is testament to Dan's stewardship that I have been made to feel so welcome by the rest of the Board, the senior management team and all colleagues who I have met so far and who have helped me through a very thorough induction process.

Covid-19

The Covid-19 crisis has thrown a lot of very serious challenges at our business during the year, and I have been extremely impressed with the dedication of our people, and the energy and enthusiasm they have shown in meeting those challenges. Our focus on protecting our people, prioritising our loyal customers and protecting our business will help us to return to full-year profitability and long-term growth. From the onset of the pandemic, the Board acted quickly and decisively in helping the business to navigate the very dynamic situation and challenges as they arose in each of the 11 markets in which we operate. Further details of our response to the Covid-19 crisis are set out in the Strategic Report. At the height of the crisis, while still covering all the matters that needed to be covered as part of the Company's annual governance cycle, Board meetings were focused on the Group's response to the pandemic as it unfolded. Covid-19 remains a focus at meetings to ensure that the Board continues to play its vital role in guiding the business appropriately through these unprecedented times and to support and challenge senior management in making the sometimes difficult decisions required. The Board held seven additional meetings during the year to ensure timely consideration of all relevant matters and It was assisted greatly in this by the Chief Executive Officer and his senior team providing frequent Covid-19 updates. The scale and pace with which the Group's response was coordinated by management, with the Board's support, was significant and provided a reassuring insight into the Group's governance in action. Our governance framework helped us to respond quickly to the situation as it developed and to play our part responsibly. Further information on the Board's response is on page 66.

Our new Chairman

Stuart Sinclair joined the Board on 16 March 2020 and was appointed as Chairman on 30 April 2020.

Stuart is an experienced non-executive director, committee chair and senior independent director who brings a background in consumer financial services with RBS, GE Capital, TSB, LV, QBE and Provident Financial. He currently sits on the board of Lloyds Banking Group, where he chairs the Remuneration Committee, and is a non-executive director and chairman of Willis Ltd. He was also a council member of The Royal Institute for International Affairs.

Board and Committee changes

Succession planning and the composition of the Board and its committees are important components of good governance.

Following my appointment as a non-executive director of the Company on 16 March, I took over as Chairman from Dan O'Connor when he stepped down at the AGM in April. Dan bequeathed a strong governance framework that works well both at Board level and throughout the organisation, and I am delighted to have had the opportunity to take over from him. Richard Holmes also joined the Board on 16 March as a new independent non-executive director and is also a member of the Audit and Risk Committee. Richard brings a vast amount of international financial services experience and a key aim of his appointment was to build resilience into the membership of the Board's committees and aid succession planning for Committee chair roles.

Richard Moat, who joined the Board in 2012, and Cathryn Riley who joined in 2014, will not be seeking re-election at the 2021 AGM in April and will stand down from the Board as non-executive directors at that time. We are pleased to announce that Richard Holmes will replace Richard Moat as the Senior Independent Director and Chair of the Audit and Risk Committee and Deborah Davis will replace Cathryn as the Remuneration Committee Chair with effect from the conclusion of the 2021 AGM, subject to their re-election as directors. The Board would like to thank Richard and Cathryn for their service, insight and contribution during their time at IPF and I believe that both Richard Holmes, who joined the Board in March 2020, and Deborah Davis who joined in December 2018 with be worthy successors.

Board composition

The composition and size of the Board is reviewed regularly. We believe that our Board is well-balanced and diverse, with a good mix of international skills, experience, background, independence and knowledge. During the year, in accordance with the Corporate Governance Code, more than half of the Board (excluding the Chair) were independent non-executive directors and the Board met the Hampton-Alexander review target for 33% female representation on FTSE 350 Boards.

Succession planning

Succession planning and the development of our talent pipeline continues to be an area of focus for the Board and the Nomination Committee to ensure that we maintain an appropriate combination of skills, experience and knowledge to deliver our strategy, and to ensure that plans are in place for an orderly succession to Board and senior management positions. When considering succession plans, the Board and Nomination Committee are cognisant of the need to ensure that there is a diverse range of individuals who are included in the plan. We believe that the range of perspectives provided by a diverse and inclusive organisation, reflective of the communities in which we operate, gives us a competitive advantage. Further information and details of our current gender diversity statistics are set out on page 41.

We have a well-established People and Organisational Planning process which is an integral part of the business' operating rhythm and is the core process used to ensure robust succession plans and talent development pipelines. As part of their development, senior managers who are not at Board level are invited to join Board meetings to present on their specialist area. In 2020 the Board received presentations on health and safety, value in data, data regulation and corporate affairs; this is in addition to the regular market updates provided to the Board by those senior managers who run business units. This helps the Board to assess the quality of internal talent and for the individuals concerned to get a greater understanding of the workings of the Board.

Stakeholder engagement

Engagement with all stakeholders is a priority. This is particularly the case for our customers and we have striven this year to adapt our operations so that we can continue to serve them in a safe and responsible way.

People movement restrictions enforced at the onset of the pandemic meant that the traditional face-to-face methods of engagement with stakeholders were put on hold. However, throughout the Covid-19 crisis we have worked hard to ensure that dialogue with all of our stakeholders has been maintained. Our Global Care Plan was introduced in April 2020 to support our business priorities and to demonstrate clear, visible support and care for our people. With regard to our investors, our strategy was to update the market more regularly on key operational metrics to ensure that they were informed of how the Covid-19 crisis was impacting the business and the steps taken to mitigate that impact. It was the second year for Bronwyn Syiek as our Workforce and Stakeholder Engagement Director and a period in which her role evolved and broadened to ensure stronger stakeholder engagement. Further information about how we engaged with our stakeholders, including the outcomes for Board decision-making, can be found on pages 37 to 45.

Culture, values and ethics

The Board believes that good governance should be focused not only on how the Board itself operates but also on the culture within which all of our businesses and employees operate on a day-to-day basis. The principles of good governance are embedded throughout the business and we put the customer at the heart of what we do and at the forefront of our strategy to rebuild for the future.

The Board recognises the importance of the Company's environmental, social and governance (ESG) responsibilities and further information can be found on pages 46 and 75.

Board evaluation

It is a key requirement of good governance that an annual evaluation is carried out to ensure that the Board, its committees and each director performs effectively. The Code requires that the evaluation is facilitated externally at least every three years. In 2020 the Board evaluation was facilitated internally following an externally facilitated evaluation in 2019. The outcome of the evaluation was very positive and further details are set out on page 68.

Our Board and Committees

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A Audit and Risk Committee

D Disclosure Committee

E Executive Committee

N Nomination Committee

R Remuneration Committee

T Technology Committee

W Workforce and Stakeholder Engagement Director

Committee Chair

1 Stuart Sinclair

N R

Chairman

Length of service: 1 year

Responsibilities: Good corporate governance and best practice, leading an effective Board with a focus on strategic planning and implementation.

Key skills: Highly experienced non-executive director, committee chair and senior independent director (SID) with a background in consumer financial services.

Contributions: A strong and effective leader of the Board, his extensive experience in retail banking, insurance and consumer finance ensures a good balance of strategic and operational oversight. His insightful and inclusive style encourages a culture of openness and debate on the Board with an appropriate level of challenge to management.

Current directorships: Non-executive director and chair of remuneration committee for Lloyds Banking Group plc and non-executive director and chair of Willis Ltd.

Former roles: Non-executive director roles at QBE Insurance (Europe) Ltd, Provident Financial Group plc, Swinton Group Ltd, PruHealth/Vitality Ltd and Universal Insurance Inc. Also council member of the Royal Institute of International Affairs, president and COO at Aspen, president and CEO at GE Capital, China, Chief Executive of Tesco Personal Finance and director of UK Retail Banking at Royal Bank of Scotland Group plc.

Qualifications: Masters' degree in Economics and Master in Business Administration from University of California (UCLA).

2 Gerard Ryan

D E N

Executive director and Chief Executive Officer

Length of service: 9 years and 1 month

Responsibilities: Group strategy, operational management and leadership of the Executive Committee and senior management group. Ensuring good relations with employees, agents, customers, regulators and investors.

Key skills: Inspirational leadership and effective, objective implementation of strategy; over 25 years' multi-country experience in consumer financial services.

Contributions: Acute market insight which provides a real advantage in driving the implementation of the strategy, and identifying and pursuing growth opportunities.

Former roles: CEO for Citigroup's consumer finance businesses in Western Europe, Middle East and Africa region, a director of Citi International plc, Egg plc and Morgan Stanley Smith Barney UK, CFO of Garanti Bank, Turkey and CEO of GE Money Bank, Prague.

Qualifications: Fellow of the Institute of Chartered Accountants.

3 Justin Lockwood

D E

Executive director and Chief Financial Officer

Length of service: 4 years

Responsibilities: All aspects of the Group's financing, financial performance and reporting, and tax; the executive relationship with the external auditor; and leadership of the Group finance team and other corporate functions.

Key skills: Strong financial leadership; over 15 years' experience in senior financial management roles, and detailed understanding of the business and its markets.

Contributions: Broad and deep understanding of the Group's operations enables effective support to the Board and Executive Committee in driving optimum financial performance.

Former roles: Group Head of Finance before being appointed to the Board as Chief Financial Officer. Senior finance roles at Associated British Ports, Marshalls plc, and PwC in the UK and Australia.

Qualifications: Degree in Business Administration and a member of the Institute of Chartered Accountants.

4 Deborah Davis

A N R

Independent non-executive director

Length of service: 2 years and 4 months

Key skills: Experience in fintech, consumer and technology businesses undergoing digital transformation, growth and geographic expansion. Digital technology expertise including omni-channel payments; over 25 years' senior leadership experience in high-growth companies in international markets.

Contributions: Valuable strategic and operational insights on growth and expansion of digital capabilities as well as customer experience, innovation and governance throughout the Company.

Current directorships: Non-executive Chair of Diacetics PLC, non-executive director of The Institute of Directors in the UK, IDEX Biometrics in Norway, and a Trustee of Southern African Conservation Trust in South Africa.

Former roles: Vice President of Global Partnerships and Global Risk Operations at PayPal, London, and Vice President of European Operations for eBay Marketplaces, Germany. Member of The Digital Banking Club Advisory Panel and non-executive director of IE Digital.

Qualifications: Chartered Director (CDir), Diploma in Company Direction, MSc in Management, BAppSc in Electronics and a fellow of the Institute of Directors UK.

5 Richard Moat

A R T

Senior independent non-executive director

Length of service: 8 years and 8 months

Responsibilities: Chair of the Audit and Risk Committee.

Key skills: Skilled executive with extensive financial and operational acumen, international experience with leadership of a listed company; more than 25 years of telecoms experience in senior management roles and proven expertise in corporate governance and best practice.

Contributions: Acts as a sounding board and provides support to the Chairman; has contact with shareholders at the Chairman's lunch to obtain an understanding of their interests and any issues.

Current directorships: CEO of Technicolor plc and a non-executive director of Eir Ltd.

Former roles: CEO of Eir Ltd, Deputy CEO and CFO of Everything Everywhere Ltd, MD of T-Mobile UK Ltd and Chief Executive of Orange Romania SA, Orange Denmark A/S and Orange Thailand Ltd.

Qualifications: Diploma in Corporate Finance and Accounting; Master (Honours) Degree in Law and a fellow of the Association of Chartered Certified Accountants.

6 John Mangelaars

N T

Independent non-executive director

Length of service: 5 years and 7 months

Responsibilities: Chair of the Technology Committee.

Key skills: Extensive experience in sales, e-commerce and marketing of online products such as MSN Messenger, Hotmail and Bing; over 20 years' experience in an international technology business.

Contributions: His experience supports the expansion of our digital lending business and the Company's objective to increase its technology capabilities.

Current directorships: CEO of Skyscanner Ltd.

Former roles: CEO of online travel agency Travix International, various roles at Microsoft since 1990 including Vice President of Europe for Advertising and Online, and Vice President of Western Europe for Consumer and Online.

Qualifications: Bachelor in Information and Communication Technology (BICT).

7 Richard Holmes

A

Independent non-executive director

Length of service: 1 year

Key skills: A former senior executive with over 40 years of broad international financial services experience, including 20 years as CEO and board member in private banking, wholesale banking, capital markets, trading operations, strategy and finance.

Contributions: Risk management and how this interacts with strategy and operations with technical expertise valued in Board discussions.

Current directorships: Advisor to Revolut UK Ltd and a trustee of the Barry and Peggy High Charitable Foundation.

Former roles: Non-executive director and member of the audit, risk and sustainability committees for Ulster Bank Ireland DAC Ltd; non-executive director for Business Growth Fund and British Bankers Association; Chair of Financial Services Council at CBI; CEO, Europe at Standard Chartered plc, Chair and CEO of American Express Bank at American Express Company and executive vice president of private bank at Bank of America Corporation.

Qualifications: Degree and Master's degree in Economics and a fellow of the Institute of Chartered Accountants.

8 Cathryn Riley

N R T

Independent non-executive director

Length of service: 7 years

Responsibilities: Chair of the Remuneration Committee.

Key skills: Strong commercial and financial acumen with proven track record in technology, large complex operational roles and in leading change; 20 years' experience in insurance and financial services, together with international roles.

Contributions: A wealth of experience in major IT transformation programmes, implementing new distribution channels and customer service. An experienced remuneration committee chair with strong leadership, people and relationship skills.

Current directorships: Non-executive director of AA plc, AA Insurance Holdings Ltd, Liberty Managing Agency Ltd and the Financial Services Compensation Scheme (FSCS).

Former roles: Group COO at Aviva plc, other roles at Aviva included Group CIO, UK Commercial Director, COO and Customer Experience Director of UK. Non-executive director of Equitable Life Assurance Society, Chubb European Group plc and Reassure Group plc.

Qualifications: MA in Manpower Studies, completed CeDEP's general management programme, graduate of the Institute of Personnel/HR Management.

9 Bronwyn Syiek

A W T

Independent non-executive director

Length of service: 2 years and 4 months

Responsibilities: Workforce and Stakeholder Engagement Director.

Key skills: 15 years' leadership experience in high-growth businesses in Silicon Valley, developing industry-leading technologies and consumer direct marketing. Executive and non-executive director experience gained in a non-profit scientific research organisation and education; 14 years' experience as a consultant, focused on strategy and change in large international companies; extensive experience in M&A.

Contributions: Enhancing Board discussions focused on technology, promoting the right balance for the Board between guidance and oversight. A creative problem solver and experience of attracting, developing and retaining people.

Current directorships: Trustee of The SETI Institute, the examinations board ABRSM and a member of the Finance Committee at Oxford University Press.

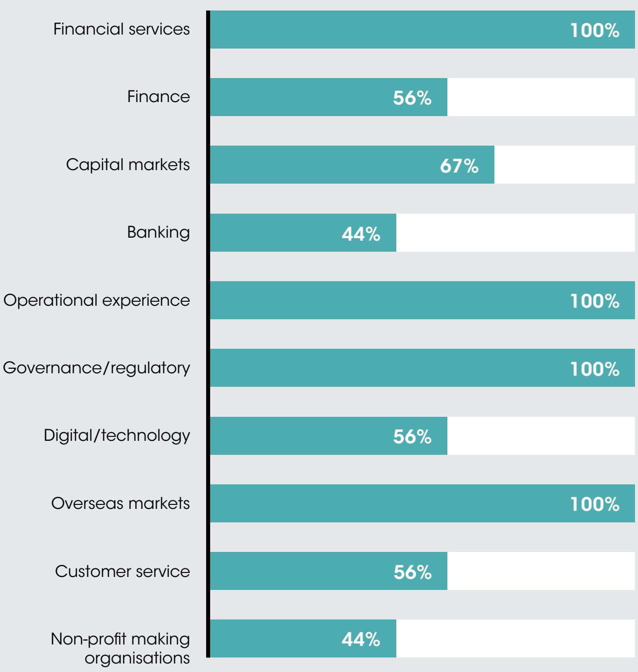
Former roles: Co-founder and President of NASDAQ-listed QuinStreet Inc., management committee member of De La Rue, and a consultant with McKinsey & Company, Inc.

Qualifications: MA in Natural Sciences.

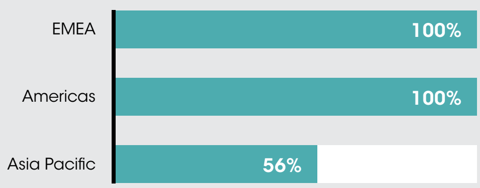
Governance at a glance

2020 Highlights	Key priorities for 2021
• Prompt action taken to protect our people, prioritise our loyal customers and protect the business in response to the Covid-19 crisis.	• To ensure key lessons learned from the crisis are embedded in the Group's future operations.
• Action taken to deliver the successful refinancing of the Group's Eurobond providing the financial foundation for the business to deliver future long-term growth.	• To continue to ensure the safety and wellbeing of our people.
• Redefined our medium-term strategy and began its implementation to ensure we emerge from the Covid-19 crisis in a strong competitive and financial position.	• Focus on rebuilding the business to return to profitability and enable sustainable long-term growth.
• Took decisive action to safeguard the Group's liquidity in response to the impact of the pandemic, including cancellation of the 2019 final dividend and deciding not to declare any dividends for 2020.	• To review dividend policy with a view to resuming dividends at an appropriate level when the Group's performance and financial position support this.
• Rightsized the business to reflect the requirements of a smaller sized business.	• Monitor resourcing and costs to match capability and capacity to business needs and opportunity.
• Maintained and continued to develop our engagement with all major stakeholders, notwithstanding Covid-19 challenges.	• Further develop our engagement with stakeholders, ensuring a 'closed loop' approach whereby feedback garnered is actively applied in Board decision-making.

Board experience



Global experience



▶ **Read more about how the Board has oversight on ESG issues on page 75**

▶ **Read more about the Board's engagement and regard for stakeholders on pages 37 to 45**

Board attendance 2020

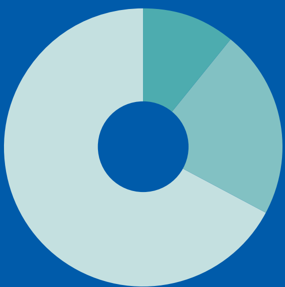
In addition to the scheduled Board meetings, seven additional meetings were held during the year as well as the strategy review.

Director	Scheduled Meetings[1]	No. of meetings attended	% of meetings attended
Stuart Sinclair[2]	6	6	100%
Dan O'Connor[3]	3	3	100%
Gerard Ryan	8	8	100%
Justin Lockwood	8	8	100%
Deborah Davis	8	8	100%
Richard Holmes[4]	6	6	100%
John Mangelaars[5]	8	7	88%
Richard Moat[6]	8	7	88%
Cathryn Riley	8	8	100%
Bronwyn Syiek	8	8	100%

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Stuart Sinclair became a director on 16 March 2020. As Chairman designate and to familiarise himself with the workings of the Board, Stuart joined the February meeting as an attendee.
3. Dan O'Connor stepped down as a director at the 2020 AGM.
4. Richard Holmes was appointed as a director on 16 March 2020.
5. John Mangelaars was unable to attend the February meeting due to unforeseen personal circumstances.
6. Richard Moat was unable to attend the February meeting due to an unavoidable and unforeseen scheduling conflict.

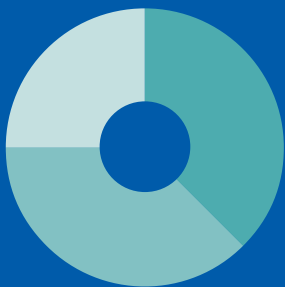
Committee compositions

Board composition



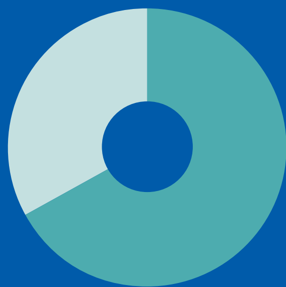
Chair	11%
Executive directors	22%
Non-executive directors	67%

Board tenure



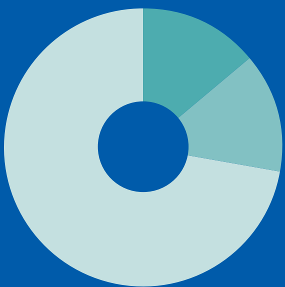
Under 3 years	37.5%
3-6 years	37.5%
6-9 years	25%

Board diversity



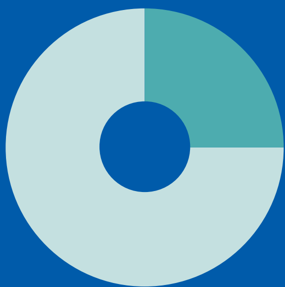
Male	67%
Female	33%

Nomination Committee



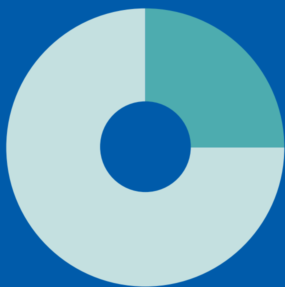
Chair	14%
Executive directors	14%
Non-executive directors	72%

Technology Committee



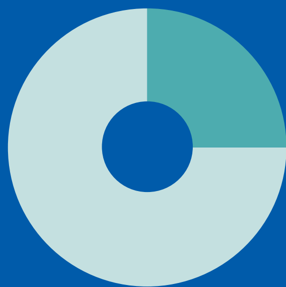
Chair	25%
Executive directors	0%
Non-executive directors	75%

Audit and Risk Committee



Chair	25%
Executive directors	0%
Non-executive directors	75%

Remuneration Committee



Chair	25%
Executive directors	0%
Non-executive directors	75%

Role of the Board and its Committees

The Board

Role of the Board

The role of the Board is to represent shareholders and promote and protect the interests of the Group in the short and long-term. The Board considers the interests of the Group's shareholders as a whole and the interests of other relevant stakeholders. It is responsible for approving Group strategy consistent with the purpose of the business and for overseeing its implementation. The Chief Executive Officer is responsible for preparing and recommending the strategy and for the day-to-day management of the Group. The Group's senior management team implements the Group's strategy and provides the Chief Executive Officer and the Board as a whole with the information needed to make decisions that will determine the long-term success of the Group.

In carrying out their duties as a Board, the directors are fully aware of, and comply with, their responsibilities and duties under section 172 of the Companies Act 2006 (see page 39 for our s172(1) statement).

There is a schedule of matters reserved for the decision of the Board. The formal schedule can be found on our website at www.ipfin.co.uk and includes: approval of strategy and determining the nature and extent of significant risks the Group is willing to take; Board and committee composition and committee terms of reference; annual budgets, significant project expenditure and funding strategy; and approval of the Annual Report and Financial Statements and regulatory announcements.

The Board has established certain principal committees to assist it in fulfilling its oversight responsibilities, providing dedicated focus on particular areas, as set out below. Each committee chair reports to the Board on the committee's activities after each meeting.

Board committees and their reserved matters

The Board delegates authority to the Board committees which are responsible for maintaining effective governance. The specific responsibilities of the Board's committees are set out in their terms of reference available on our website at www.ipfin.co.uk.

Nomination Committee

- Review structure, size and composition of the Board and its committees
- Review annually the succession plan
- Assist in the process of selection and appointment of new directors and other senior executives
- Evaluate the balance of skills, knowledge, experience and diversity of the Board

Audit and Risk Committee

- Monitor integrity of the Financial Statements and provide advice to the Board on whether they are fair, balanced and understandable
- Review effectiveness of internal controls and review principal and emerging risks
- Appoint and evaluate the external auditor and its independence
- Review and monitor effectiveness of internal audit function

Remuneration Committee

- Approve all aspects of remuneration policy and make recommendations to the Board
- Determine the remuneration packages of the executive directors, the chairman, the company secretary and the senior management group
- Review wider workforce remuneration

Technology Committee

- Oversee the role of technology in executing the business strategy
- Review alignment of the technology strategy to the Group's business strategy
- Review technology-related risks
- Monitor key technology deliverables and review the Group's technology operational effectiveness

Executive Committee

- Manage the Group generally, other than on matters reserved to the Board and its committees
- Set and communicate the strategy and ensure that the financial plan supports this strategy
- Monitor operational and financial performance

Disclosure Committee

- Assist in design and evaluation of disclosure controls and procedures
- Review requirement for, and content of, regulatory announcements
- Monitor compliance with disclosure controls and procedures

Board objectives

The Board was supported by its committees in progressing its objectives during the year as detailed below:

2020 objectives	2020 progress	2021 objectives
• Monitor the operational and financial performance of the Group's businesses, including: • continued improvement in the consistency of operational and financial performance in Mexico; • continued profitable growth in IPF Digital; and • investment in the continued modernisation of the European home credit business to deliver sustainable strong returns to fund our growth opportunities.	• The Board continued to monitor the operational and financial performance of the Group's businesses by reviewing and scrutinising trading performance against budget. • From March onwards, the impact of Covid-19 meant that the Board's focus was to support the executive team in managing the ongoing crisis as it developed. A four-phased plan was developed to protect our people and prioritise our loyal customers while ensuring the management of cash flows and preservation of liquidity, to drive the return to profitability and future long-term growth.	• Continue to monitor the operational and financial performance of the Group's businesses, including the rebuilding of the Group's receivables portfolio following the impact of Covid-19, continued improvement in the operational and financial performance in Mexico, a return to growth in IPF Digital and investment in the continued modernisation of the European home credit business.
• Continue to monitor the Group's compliance with existing legislative and regulatory standards, together with mitigation planning for possible new regulation.	• In addition to its monitoring of general regulatory developments, the Board received regular updates on temporary legislation introduced by governments in response to the impact of the Covid-19 pandemic. The Board closely monitored compliance with these new requirements and reviewed mitigations proposed by operational teams.	• Continue to review, support and oversee the Group's ongoing management of the impact of the Covid-19 pandemic, including protecting the wellbeing of the Group's workforce and customers, the design and implementation of mitigation strategies and actions, the response to the implementation and lifting of associated temporary regulations and the transition back to normal operating environments.
• Support the development of technology across the business with emphasis on the customer experience, customer retention and profitability.	• In response to Covid-19 lockdown restrictions on people movement, the Board supported remote working and the rapid development of alternative collections facilities to enable customers to continue repayments and to help safeguard colleagues and customers. This was in addition to the Board's oversight and support of the continued pursuit by the Group of its ongoing technology strategy.	• Ensure appropriate focus on enhancing the medium-term relevance and health of IPF, including the development of new products and channels across the Group, the development of technology and the further development of the Group's purpose and associated alignment of its business model, values and strategy.
• Continue to monitor the principal and emerging risks facing the Group, establishing the Group's risk appetite for each, and promoting actions to ensure that, so far as possible, each risk falls within such risk appetite.	• The Board continued to monitor the risks facing the Group, and following the outbreak of the pandemic, the Board considered how Covid-19 raised or accelerated the likely onset of certain risks and the actions taken to mitigate any potential impacts.	• Continue to monitor the principal and emerging risks facing the Group, establishing the Group's risk appetite for each and promoting actions to ensure that, so far as possible, each risk falls within such risk appetite.
• Consistently consider the needs and views of all stakeholders in the Group's business.	• The Board continued to consider the needs and views of all stakeholders and, in particular, those arising specifically from the Covid-19 pandemic. These were considered at length by the Board in its decision making, as described in pages 37 to 45.	• Continue to engage effectively with all stakeholders with a view to eliciting and applying their feedback in the Board's decision making, including in relation to environmental, social and governance matters.
• Continue to support the Group's people strategy in the furtherance of leadership, development and succession planning.	• The Board supported the Group-wide rightsizing exercise implemented to reflect the reduced scale of the business as a result of the impact of the pandemic, while ensuring retention of key roles, particularly customer-facing agent positions, to ensure the Group was well positioned for a return to growth and profitability.	• Continue to support the Group's people strategy in the furtherance of leadership, development and succession planning.
• Monitor the strength of the Group's balance sheet and the development of the longer-term funding strategy, and support the refinancing of the Eurobond.	• From the outset of the pandemic, the Board ensured that measures were taken to preserve the Group's liquidity. It reviewed and closely monitored progress of the refinancing plan ensuring that it met the needs of the reduced scale of the business. This culminated in the successful refinancing of the Eurobond in November and amendments made to covenants of existing bond and bank facilities.	• Monitor the strength of the Group's balance sheet and the development of longer-term funding strategies.
• Promote the alignment of the Company's culture with its purpose, values and strategy, and reinforce its ethical and safety standards.	• The Board ensured that the Company's response to the impact of Covid-19 was in line with its culture, purpose, values and ethical and safety standards.	

Board activities during 2020

The Board is responsible for promoting the long-term success of the Company while ensuring that it has an appropriate risk and control framework, and adequate resources and core values to deliver its strategy. The information below summarises the Board's activities over the year and the discussions that took place in the discharge of its duties to the Company. Further information on our s172(1) statement is on page 39.

Board meeting agendas are agreed in advance by the Chairman, Chief Executive Officer and Company Secretary, and are tailored to strike an appropriate balance between regular standing items, such as reports on current trading and financial performance, together with detailed 'deep dives' and 'free agenda' discussion time. This format enables the Board to exchange views and robustly debate elements of the Company's performance, specific projects or areas of strategic importance.

From the outset of the pandemic, the Board adapted its ways of working and met with increased frequency using audio-video conferencing facilities to enable it to have sufficient oversight of the rapidly changing trading environment. Agendas for the additional meetings focused on providing the Board with the latest information on government containment measures taken in the countries in which we operate. This included people movement restrictions, temporary regulation and changes in the macroeconomic landscape. Actions taken to ensure the health and safety of colleagues and customers, scenario planning assessing the potential impacts of the pandemic on the business as well as information on the Company's liquidity position and the latest trading information were also considered.

An overview of the range of matters that the Board discussed and debated at its meetings during the year can be found opposite and on the following page.

Strategy and management

- Agreed the Board's objectives for 2020.
- Reviewed operational and financial performance with the Chief Executive Officer and Chief Financial Officer presenting their own reports to enable oversight of business performance against targets, budget and strategy.
- Discussed ways in which the business was supporting colleagues and agents in equipping them for the new ways of working within the Covid-19 landscape, with a particular focus on their health and safety and that of customers (for example, safety protocols, PPE and remote working).
- Received updates on measures imposed by governments in response to the Covid-19 crisis and oversaw the Company's response, including the design and implementation of the rightsizing programme.
- Took the decision to cease new lending and undertake a collect-out of the IPF Digital operation in Finland following a reduction in the rate cap in that country.
- Discussed and reviewed the development of the Group's IT strategy.
- Reviewed the Group's strategy at the annual strategy meeting, which was delayed until the end of the year to enable a more meaningful discussion of the impact of Covid-19 on the business.

Risk management and internal controls

- Reviewed and approved risk appetite proposals and the Group Schedule of Key Risks in the context of the impact of Covid-19.
- Received frequent health and safety updates.
- Received reports from the Audit and Risk Committee on the effectiveness of the Group's systems of risk management and internal controls.
- Approved the reappointment of Deloitte LLP as auditor on the recommendation of the Audit and Risk Committee.
- Reviewed output from the operation of the 'Speak Up' whistleblowing service.
- Received regular updates through the Audit and Risk Committee in respect of internal and external audit reviews and agreed a revised internal audit programme in the context of the impact of Covid-19.
- Considered the Group's Brexit risks and mitigation actions.

Financial reporting

- Approved the 2019 Annual Report and Financial Statements.
- Reviewed the long-term viability and going concern statements in the 2019 Annual Report and approved the material uncertainty statement in the 2020 half-year Financial Report.
- Reviewed and approved half- and full-year results announcements and presentations to analysts and market guidance updates on Company performance at key points throughout the year.
- Reviewed cash flow, dividend cover and shareholder returns particularly in the context of the impact on the business of Covid-19, and agreed that the proposed 2019 final dividend be cancelled. A similar process at the 2020 half-year and full-year resulted in the decision that no dividends be paid for 2020. For more information see page 45.
- Monitored the impact of Covid-19 on the Group's funding position and compliance with the Group's financial covenants.
- Approved and monitored closely the implementation of the Group refinancing plan resulting in the successful issue of a new five-year Eurobond and amended covenant package across the Group's bonds and bank facilities.
- Approved the 2021 Group budget and business plan, reviewing key assumptions, inputs and risks, and monitored performance and variances against the 2020 plan.
- Annual review and approval of the Group's tax strategy.
- Reviewed the Group's cost base and capital expenditure requirements in light of the impact of Covid-19 assessing opportunities for £58.3 million of cost savings.

Board composition and effectiveness

- Reviewed Board, committee and senior management succession plans.
- Participated in an internally-facilitated Board evaluation and agreed actions following a review of findings. For more information see page 68.
- Received training on trends in regulation in the sub-prime consumer sector and a presentation on value in data.
- Reviewed and considered conflicts of interest.

Governance

- Approved the appointment of two new non-executive directors.
- Approved the resolutions to be put to the 2020 AGM.
- Proactively sought and considered feedback from investors and proxy advisors on the Company's 2020 AGM resolutions.
- Agreed that, in view of Covid-19 restrictions, the 2020 AGM should be a closed meeting with the opportunity for shareholders to submit questions in advance.
- Updated the Board Diversity Policy.

Stakeholder engagement

- Received for review regular updates on workforce and stakeholder engagement.
- Monitored frequent updates on our people and the safety of customers, in light of Covid-19.
- Received updates on how colleagues had adapted to remote working and their general wellbeing.
- Results of care surveys conducted with employees and agents were shared with the Board and resulted in the introduction of the Global Care Plan in April, and the subsequent Winter Care Plan in November.
- Received updates on investor sentiment in response to the interim results, and input from bondholders and potential bondholders delivered in connection with the refinancing process.
- Reviewed relationships with the Group's key banking partners.
- Received regular updates on the external regulatory environment in each of our markets, and the management and engagement strategy to ensure its alignment with the Group's business priorities.
- Supported the rollout of the Group's first Voice of the Supplier survey to gain a deeper understanding of how our business is perceived.
- Supported a number of community based initiatives. Further details of which can be found on page 44.

Board and committee evaluation

In accordance with the 2018 UK Corporate Governance Code and the Board's three-year cycle, the 2020 Board and committees' evaluation was facilitated internally by the Company Secretary in conjunction with the Chairman and Senior Independent Director. The exercise, which considered the effectiveness of the Board, each Board Committee, the Chairman and individual directors, consisted of comprehensive bespoke questionnaires completed by each director. In addition to areas such as Board composition, administrative matters, performance and effectiveness, the 2020 evaluation also focused on the impact of Covid-19 and corporate culture and values. Responses were sent to the Chairman and the Chairman's review was evaluated by the Senior Independent Director and shared with all Board members.

The results of the process were reviewed by the Board in January 2021 and key actions were agreed. Overall the evaluation results were positive and the Board considered that it continued to function effectively, providing effective leadership to the Group. The Board is seen as cohesive and comprising the appropriate balance of experience, skills, knowledge and diversity of background to implement the Group's strategy over the short term. Board meetings operate in a spirit of openness fostered by the Chairman, in which directors are able to challenge and discuss ideas of importance to the Group, its strategy and risk. To further develop open debate, the Chairman introduced an 'open discussion' session as a standing item at all Board meetings.

The Chairman confirmed that the non-executive directors standing for re-election at this year's AGM continue to perform effectively, both individually and collectively as a Board, and that each demonstrates commitment to their role.

The 2020 evaluation provided an opportunity to reflect on the strengths of how the Board operates and where it can improve. The Board discussed areas identified for improvement and will continue to focus on them during 2021. The main conclusions and key areas for focus highlighted by the 2020 evaluation are detailed below:

Key findings in 2019	What we did in 2020
Positive feedback on the enhanced focus and time devoted to strategy.	Although the onset of the pandemic delayed the June strategy review until the end of the year, the rescheduled strategy day was able to focus on the Group's strategy in light of the impact of Covid-19.
Committees – the operation of the Board committees remained effective.	Committees' terms of reference reviewed and updated where appropriate.
Corporate culture – the culture of the Board was open, transparent and inclusive.	'Open discussion' introduced as a standing Board agenda item to further enhance and encourage open and outwardly focused debate.
Training and development – to invest time in training and development to build deeper knowledge of regulation and how the Group operates at market level.	Formal training on trends in regulation in the sub-prime consumer sector.
	Videoconference meetings and frequent 'in-market' updates enabled a broader understanding of the impact of Covid-19 in the Group's markets.

Key findings in 2020	What we will do in 2021
Board composition and succession planning – there is a good cross-set of skills on the Board with a balance of expertise, experiences and diversity of background. Succession planning was to be kept under continuous review.	Continue to keep under review Board composition and succession planning in light of the Group's post Covid-19 strategy and the smaller sized business.
Strategy – following the necessary focus on operational issues in order to manage the impact of the pandemic on the Group, there was a desire to return to strategy.	Following the December strategy review, monitor progress on key strategic matters through regular Board updates.
Positive feedback on the Board's response to the pandemic, providing support to management while maintaining an appropriate degree of challenge, debate and oversight.	Continue to ensure the safety and wellbeing of our people and to closely monitor the impact of the pandemic on the business.
The culture of the Board is inclusive, open and transparent with engaged and robust debate.	Further develop our engagement with stakeholders ensuring a 'closed loop' approach whereby feedback garnered is actively applied in Board decision-making.
Training and induction – despite the strictures imposed by the pandemic, new Board members received a thorough and appropriate induction. The Board received formal training on trends in regulation in the sub-prime consumer sector.	Continue to monitor the training needs of the Board and individual directors and to continue to provide opportunities to non-executive directors for learning and engagement activities in relation to material aspects of the Group's business.

Compliance with the UK Corporate Governance Code 2018 (the Code)

The Company complied with the provisions set out in the 2018 version of the Code, which applied throughout the financial year ended 31 December 2020. The Code is available on the FRC's website: www.frc.org.uk. We have a secondary listing on the Warsaw Stock Exchange but consider reporting in line with the Code as our primary obligation. We set out below how the Code principles have been applied.

Board leadership and company purpose

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. See pages 37 to 45 and 68.

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. See pages 9 to 13 and 68.

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. See pages 32 to 36.

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties. See pages 37 to 45.

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern. See pages 41 to 42, 66 and 67.

Division of responsibilities

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non executive directors, and ensures that directors receive accurate, timely and clear information. See page 70.

The board should include an appropriate combination of executive and non executive (and, in particular, independent non executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business. See page 70.

Non executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. See page 70.

The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. See pages 68 and 70 to 71.

Composition, succession, evaluation

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. See pages 76 to 77.

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed. See pages 60 to 61 and 68.

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. See page 68.

Audit, risk and internal control

The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself as to the integrity of financial and narrative statements. See pages 80 to 83.

The board should present a fair, balanced and understandable assessment of the company's position and prospects. See page 83.

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives. See pages 48 to 56 and 80 to 83.

Remuneration

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy. See page 90 to 91.

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome. See pages 90 to 91.

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. See page 90 to 91.

In addition to the Code, we are required to comply with the Companies Act 2006 (the Act), the Disclosure Guidance and Transparency Rules (DTR) and the Listing Rules (LR). Where not covered elsewhere, these requirements are included in this section.

In accordance with DTR 4.1.5R, the Strategic Report and the Directors' Report together are the management report for the purposes of DTR 4.1.8R.

There are no disclosures to be made under LR 9.8.4R.

The Board has taken advantage of section 414C(11) of the Companies Act 2006 to include disclosures in the Strategic Report including:

- the financial position of the Group (see pages 32 to 36);
- principal risks and uncertainties (see pages 48 to 56); and
- the future development, performance and position of the Group (see page 57).

Articles of Association (Articles)

The Articles may only be amended by a special resolution at a general meeting of the shareholders. The Articles are available on our website at www.ipfin.co.uk or direct from Companies House, UK.

Appointment and replacement of directors

The Articles provide that the Company may by ordinary resolution at a general meeting appoint any person to act as a director, provided that written notice is given of the intention to propose such person and that the Company receives written confirmation of that person's willingness to act as director if he or she has not been recommended by the board. The Articles also empower the board to appoint as a director any person who is willing to act as such. The maximum number of directors under the Articles is 15.

The Articles provide that, at every annual general meeting, the following directors must retire: (a) any director appointed by the board since the Company's previous annual general meeting; (b) any director who has held office at the time of the Company's two preceding annual general meetings and who did not retire at either of them; and (c) any director who has held office with the Company (other than employment or executive office) for a continuous period of nine years or more at the date of the meeting. A director who retires from office is eligible for re-appointment by the Company's shareholders. Notwithstanding the provisions of the Articles, the Company's current practice, in accordance with the recommendations of the UK Corporate Governance Code, is to require each director to stand for election or re-election by the Company's shareholders on an annual basis.

The Articles further provide that the Company may, in addition to any powers of removal conferred by law, by special resolution remove any director before the expiration of his or her period of office. The Articles also set out the circumstances in which a director shall vacate office.

Division of responsibilities

The roles of the Chairman and Chief Executive Officer are clearly defined and the division of responsibilities is established and set out in writing.

The Chairman is responsible for the leadership and effectiveness of the Board. He is also responsible for the effective running of the Board and its committees in accordance with corporate governance standards. He is responsible for ensuring that consideration is given to the main challenges and opportunities facing the Company, and facilitates open and constructive discussion during meetings. The Chairman was independent on his appointment.

The Chief Executive Officer is responsible for setting and executing the strategy effectively, and managing the Group's businesses.

Commitment

The Chairman and the non-executive directors should have sufficient time to fulfil their duties and directors' other commitments are kept under review to ensure that they have sufficient time to dedicate to the business.

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 their executive responsibilities adversely. The executive directors currently do not hold any external directorships. A non-executive director should not hold more than four other material non-executive directorships. If they hold an executive role in a FTSE 350 company, they should not hold more than two other material non-executive directorships.

In line with the Code, non-executive directors are required to seek Board approval prior to taking on any additional appointments. In January 2021, Deborah Davis took on the role of Non-Executive Chair of Diacetics PLC. The Board considered and approved her taking on this appointment and was confident that she would be able to continue to devote the appropriate time to her role as a non-executive director. The external commitments of the Chairman and the other non-executive directors have also been reviewed and the Board is satisfied that these do not conflict with their required commitment to the Company.

The independent non-executive directors are appointed for an initial period of three years, subject to annual re-election by shareholders at the AGM. The initial period may be extended, following recommendation by the Nomination Committee, for two further three-year periods. The Board will not normally extend the aggregate period of service of any independent non-executive director beyond nine years. Their letters of appointment may be inspected at our registered office and copies 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 and the Chairman was considered to be independent on appointment. Richard Holmes will succeed Richard Moat as the Senior Independent Director at the conclusion of the 2021 AGM, subject to Richard Holmes' re-election as a director. He will be available to shareholders should they have concerns which contact through the normal channels of Chairman, Chief Executive Officer and Chief Financial Officer has failed to address or for which such contact is inappropriate. The Senior Independent Director will review the performance of the Chairman on an annual basis and will consult with other Board members as part of the review. He will also consider the relationship between the Chairman and the Chief Executive Officer.

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 needs are reviewed annually as part of the Board evaluation process. Training also covers generic and specific business topics and in 2020 included presentations to the Board on subjects including the impact of Covid-19 on impairment accounting under IFRS 9, value in data and trends in regulation in the sub-prime consumer sector. Due to the Covid-19 lockdown restrictions, the Board's planned visit to the home credit business in Poland had to be cancelled, but the Board received regular presentation updates from market leaders.

All directors are able to consult with the Company Secretary, who also updates the Board on governance developments. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary acts as secretary to the Board and its committees. Any director may take independent professional advice at the Company's expense relating to the performance of their duties.

If directors have concerns about the running of the Company, which cannot be resolved, their concerns are recorded in the Board minutes. There have been no concerns raised during the period under review.

Evaluation

In 2020, an internally-facilitated evaluation of the performance of the Board and its committees was carried out. Directors completed a questionnaire, the results of which were collated, reviewed and presented for discussion at the January 2021 Board meeting. Details of the principal outcomes relating to the Board evaluation can be found on page 68.

Election or re-election of directors

All directors are subject to election or re-election at the AGM, in accordance with the Code. All directors, except for Richard Moat and Cathryn Riley, will seek re-election at our AGM on 29 April 2021. Details of the directors can be found on pages 60 to 61.

Shares in issue

As at 31 December 2020, the issued share capital was 234,244,437 ordinary shares of 10 pence each. No ordinary shares were issued during the year.

No shares were purchased by the Company, transferred to treasury or cancelled. The ordinary shares can be held in certificated or uncertificated form. 10,504,548 shares are held as treasury shares for the purpose of satisfying options under the Group's share option plans. Details of share capital are shown in note 29 to the Financial Statements.

Share class rights

The share class rights, which are set out in the Company's Articles, are summarised as follows. The ordinary shares are listed on the London Stock Exchange and Warsaw Stock Exchange.

Restrictions on shareholders' rights

Any share may have rights attached to it as the Company may decide by ordinary resolution or the Board may decide, if no such resolution has been passed. Such rights and restrictions shall apply to the relevant shares as if the same were set out in the Articles.

Restrictions on transfer of shares and limitations on holdings

There are no restrictions on the transfer or limitations on the holding of ordinary shares other than under the Articles or under restrictions imposed by law or regulation. The Articles set out the directors' rights of refusal to effect a transfer of any share.

Voting rights

There are no restrictions on voting rights except as set out in the Articles. Electronic and paper proxy appointments, and voting instructions, must be received by the Company's registrar not less than 48 hours before a general meeting (or such shorter time as the Board may determine) and that the Board may exclude non-working days in its calculation.

Interest in voting rights

As at 31 December 2020, we had been notified, pursuant to DTR 5.1.2, of the following interests in voting rights in our issued share capital. The information provided below was correct at the date of notification, however, the date of receipt may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified. A notification of any change is not required until the next notifiable threshold is crossed.

Name	Date notified	% of issued share capital[1]
Aberforth Partners LLP	20/11/2020	13.10
Standard Life Aberdeen plc	14/08/2020	12.00
Marathon Asset Management LLP	29/05/2020	9.93
FMR LLC	10/01/2018	5.28
Artemis Investment Management LLP	22/10/2020	5.11
Schroders plc	17/03/2014	5.01
Old Mutual Asset Managers (UK) Ltd	12/04/2010	4.88
BlackRock, Inc.	16/07/2009	4.54
Oppenheimer Funds Inc/Baring Asset Management Ltd	26/06/2009	3.02
Hendrik Marius van Heyst	09/11/2020	3.02
BNP Paribas Investment Partners	08/07/2015	3.02

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

Variation of rights

This covers the rights attached to any class of shares that from time to time may be varied either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

Authority to purchase own shares

At the 2020 AGM, we received shareholder authority to buy back up to 22,368,183 of the Company's shares until the earlier of the conclusion of the 2021 AGM or 30 June 2021. Any ordinary shares purchased could be cancelled or held in treasury. This authority was not exercised in 2020. A further authority to purchase our own shares will be sought at the 2021 AGM.

Authority to issue shares

At the 2020 AGM, an ordinary resolution was passed authorising the directors to issue new shares up to an aggregate nominal amount of £7,456,061, representing approximately one-third of the issued share capital of the Company (excluding treasury shares) and allot further new shares in the case of a rights issue only up to an aggregate nominal amount of £7,456,061, representing approximately a further one third of the issued share capital. Further special resolutions were passed to effect a disapplication of pre-emption rights in certain circumstances.

Resolutions to renew these authorities will be proposed at the 2021 AGM. Further details can be found in the separate notice of meeting.

Directors

Details of the current directors can be found on pages 60 to 61. Dan O'Connor, who was a non-executive director and Chairman, did not seek re-election at the 2020 AGM and stepped down from the Board. Stuart Sinclair and Richard Holmes were appointed as non-executive directors on 16 March 2020. Richard Moat and Cathryn Riley will be stepping down from the Board and will not be seeking re-election at the 2021 AGM.

Indemnities

Our Articles permit us to indemnify our directors (or those of any associated company) in accordance with the Act. However, no qualifying indemnity provisions were in force in 2020 or at any time up to 3 March 2021. We have appropriate directors' and officers' liability insurance and this was in force when the Directors' Report was approved.

Directors' conflicts of interest

To take account of the Act, 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 2020 and up to 3 March 2021.

Powers and proceedings of directors

The directors are responsible for the management of the Company and may exercise all the powers of the Company, subject to the provisions of the relevant statutes and the Articles. The Articles contain specific provisions and restrictions regarding the following: the Company's powers to borrow money; provisions relating to the appointment of directors (subject to subsequent shareholder approval); and delegation of powers to a director or committees. They also provide that, 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 they have an interest which they know is material.

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; and
- provisions in our equity 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 or Nasdaq Stockholm stock exchanges) have been issued under the programme and are outstanding as at the date of this report;€341.2 million with a five-year term and a 9.75% coupon; £78.1 million with a four and a half-year term and a 7.75% coupon and SEK450 million Swedish krona bond with a four-year term and a coupon of three-month STIBOR plus a margin of 8.75%.

Related party transactions

Related party transactions are set out in note 33 to the Financial Statements.

Financial instruments

Details of the Group's financial instruments are set out in note 22 to the Financial Statements. The information in note 22 is incorporated by reference into, and forms part of, this Directors' Report.

Dividends

The Board considered the financial performance in 2020, which was impacted by the pandemic, and concluded that it was not appropriate to propose a final dividend.

Employees

Employee engagement and communication

Engagement with our people takes many forms, including the review of results of employee surveys and participation of the Workforce and Stakeholder Engagement Director in employee conferences and forums. As a result of Covid-19, these have been adapted from the planned in-person meetings to online engagement with employees. The mix of engagement activities is deliberate, acknowledging that colleagues like to give and respond to feedback in a variety of ways.

The importance of engagement with colleagues while working remotely was recognised and supported by the roll-out of a proactive programme of wellbeing initiatives. The internal reputation of the business has been positively impacted by the comprehensive and timely support provided and our people tell us they feel they have been effectively engaged and communicated with throughout the pandemic. Further information on how we engaged with employees and agents can be found on pages 41 to 42.

Employee benefit trust

We operate an employee benefit trust with an independent trustee, Apex Financial Services (Trust Company) Limited, to hold shares on behalf of employees pending entitlement to them under our equity share incentive plans. As at 31 December 2020, the trustees held 1,055,961 shares in International Personal Finance plc. The trust waives its dividend entitlement and abstains from voting at general meetings. Any shares to be acquired through our share plans do not have special rights and rank pari passu with the shares already in issue.

Employee equity incentive plans

UK eligible employees are able to participate in our equity share incentive plans, details of which are shown below.

Awards granted to the executive directors in 2020 are set out in the Directors' Remuneration report on page 95.

Plan	Abbreviated name	Eligible participants
The International Personal Finance plc Approved Company Share Option Plan	CSOP	Executive directors and senior managers
The IPF Deferred Share Plan	DSP	Executive directors and senior managers
The IPF Performance Share Plan	PSP	Executive directors and senior managers
The IPF Save As You Earn Plan	SAYE	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 included in note 28 to the Financial Statements.

Employment policies

Equal opportunities

The Group is an equal opportunities employer. It is our policy that no job applicant, employee or agent will receive less favourable treatment because of their 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 that recruitment and progression opportunities are open to all and are based purely on merit, with all employees having the same access to training and career development. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If an employee becomes disabled, every effort is made by the Group to ensure their employment with the Group continues and appropriate training career development and promotion, and reasonable adjustments are arranged where necessary.

Human rights, diversity and modern slavery

Information relating to diversity and gender, human rights, and Board diversity is shown on pages 41 and 63. Our Modern Slavery Act 2015 statement is available on our website at www.ipfin.co.uk.

Anti-bribery policy

The Group is committed to conducting its affairs in an ethical manner and to ensuring that its trading activities are conducted with honesty and integrity and ensuring compliance with relevant anti-bribery and corruption legislation, in any jurisdiction where the Group operates. Internal controls and procedures are in place to ensure that no one acting on our behalf:

- offers, promises or gives a bribe;
- requests, agrees to accept or receives a bribe; or
- bribes a public official to obtain or retain business or an advantage.

All employees must complete anti-bribery and corruption training. The anti-bribery policy was reviewed and reissued in 2020.

External oversight

The Group's activities in Mexico and Spain are subject to general trade licences only. Our other operations in Europe and Australia are subject to certain licensing provisions or supervision by a financial authority as detailed below.

European home credit

Czech Republic – licenced by Czech National Bank

Hungary – subject to an operating licence issued by the Hungarian National Bank

Poland – registered in special registry of the Komisja Nadzoru Finansowego (the Polish Financial Supervision Authority)

Romania – under the supervision of the National Bank of Romania in the Special Registry of credit providers

IPF Digital

Australia – holds a credit licence issued by the Australia Securities and Investment Commission

Estonia – licences issued by the Estonian Financial Supervision Authority

Finland – in a register of credit providers maintained by the Regional State Administrative Agency of South Finland

Latvia – operates under a licence from the Consumer Rights Protection Centre

Lithuania – in a register of credit providers maintained by the Bank of Lithuania

Poland – registered in the special register of the Komisja Nadzoru Finansowego (the Polish Financial Supervision Authority).

Budgetary process and financial reporting

The Board approves annually a detailed budget for the year ahead. Actual performance against budget is monitored regularly and reported monthly for review by the Board. The Board requires the Group's 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 business. When the submissions have been aggregated and consolidation adjustments made to remove intercompany transactions, the consolidated result is reviewed by the Group Financial Controller and the Chief Financial Officer. The results are compared with the budget and prior year figures, and any significant variances are explained. 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 Financial Controller 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 Chief Financial Officer and they are signed by the Chief Executive Officer and the Chief Financial Officer. For further details on our risk and internal control processes, see pages 48 to 56.

Report on environmental, social and governance (ESG) matters

The Board regularly takes account of the significance of ESG matters to the Group and has identified and assessed the importance of ESG risks to the Group'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 contributes to the sustainable long-term value of the Group.

ESG issues are handled through a number of forums and reporting processes across the business:

- Risk Advisory Group
- Country management teams
- Functional teams (e.g. Corporate Affairs, Human Resources, Health and Safety, Procurement)
- Monthly performance updates

Key ESG issues that impact our stakeholders include:

- Social inclusion
- Business ethics
- Public perception
- Community investment
- Health and safety
- Skilled and well-motivated people

These issues were regularly discussed at Board meetings in 2020. The Board is satisfied that it received adequate information to assess the importance and impact of ESG related matters in its oversight of the Group's risk management framework and operation.

ESG management and 2020 priorities

Environment	Social	Governance
1. We seek to minimise our impact on the environment where possible by regularly reviewing our direct and indirect impact. 2. As a consumer financial services business, our direct environmental impact is lower than some other organisations, but we recognise that we have an important role to play for the better future of our planet. Our environmental management approach takes into account all aspects of our business that might impact on the environment and how we may reduce this. We focus on the following key areas: a. car travel and fuel consumption; b. business flight travel; c. generating emissions; d. introducing new technology to improve IT energy efficiency; e. digitising paper-intensive processes through our agent mobile applications; f. environmental education for employees to minimise the consumption of energy, water and paper as well as waste generation; and g. donations of used office furniture, laptops, screens, printers and mobile phones to our community partners. 3. For Greenhouse gas (GHG) reporting and reporting on environmental matters see page 46.	1. In response to the pandemic, a Global Care Plan was deployed to protect our people. 2. Online health, safety and wellbeing seminars and workshops were run for employees and agents throughout 2020. 3. As a financially inclusive business we also ensured our most loyal customers continued to have access to essential credit. 4. Safety management systems compliant with ISO 45001 apply to all businesses to secure the highest standards of safety supervision, training, education and advice. 5. Regular communication on the progress of our commitment to human rights through membership of the United Nations Global Compact Network UK. 6. In 2020, 35% of our community investment focused on health and 26% on financial education. 7. In 2020, 3,420 of our employees undertook voluntary and community work. 8. In 2020, our employees raised £23,520 for community investment purposes and the Group invested over £675,000 to support local communities. 9. In line with the Group's policy, no political donations were made in 2020.	1. A range of standards, policies and governance structures in place to govern ESG matters. 2. The Group's strategic plan developed in response to the impacts of Covid-19 focused on protecting our people and prioritising our loyal customers. 3. Code of Ethics and responsible lending principles in place. The annual Ethics Week campaign took place in September 2020. 4. Reputation tracking survey undertaken among consumers and employees to measure our reputation and its key drivers. 5. Voice of the Supplier survey conducted to measure compliance with our values and to gain an understanding of the perception of our business. 6. Regular two-way shareholder communication to inform investors on performance and gauge sentiment. 7. Anonymous "Speak up" line to effectively manage any potential irregularities or issues. 8. The Remuneration Committee takes account of ESG risks when setting performance targets and short or long-term incentives in relation to remuneration. 9. ESG matters were taken into account when considering training for directors and in the annual Board evaluation.

Nomination Committee Report

A strong Board with diverse and relevant experience is going to be critical in the year ahead.

Stuart Sinclair
Chair of the Nomination Committee

Committee members

Stuart Sinclair
Chair

Deborah Davis
Independent non-executive director

John Mangelaars
Independent non-executive director

Cathryn Riley
Independent non-executive director

Gerard Ryan
Executive director and Chief Executive Officer

The table below shows the number of meetings held and the directors' attendance during 2020.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Stuart Sinclair[2]	3	2	67%
Dan O'Connor[3]	3	3	100%
Deborah Davis	5	5	100%
John Mangelaars [4]	5	4	80%
Cathryn Riley	5	5	100%
Gerard Ryan	5	5	100%

Notes
1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Stuart Sinclair became a Committee member on 16 March.
3. Dan O'Connor stepped down as a director at the 2020 AGM.
4. John Mangelaars was unable to attend the February meeting due to unforeseen personal circumstances.

Dear Shareholder,

I am delighted to introduce the Directors' Nomination Committee Report for the year. This is my first report to you as Chair of the Committee having taken over from Dan O'Connor at the conclusion of the AGM on 30 April 2020.

As Chair of the Nomination Committee, I am pleased to report on the ongoing objectives and responsibilities of the Committee, the work that has been carried out during 2020 and the plans for 2021 and beyond.

Role of the Committee

The Committee reviews the leadership and succession needs of the organisation and ensures that appropriate procedures are in place for nominating, training and evaluating directors. Due regard is given to the benefits of a diverse senior leadership that include all elements of diversity that appropriately represent the Group's operations (including but not restricted to gender, age, nationality, ethnic origin, background, knowledge and experience), the operational geographies, its future strategic plans and the customer base.

Board Changes

As set out in my introduction to the Governance Report on page 58 there have been changes to the Board and its committees during the year. Following the 2020 AGM, Dan O'Connor stepped down as a non-executive director and Chairman of the Board and the Committee. On 16 March, Richard Holmes and I were appointed as independent non-executive directors. The process for our appointments began in 2019 with the selection of Russell Reynolds, a search consultancy firm that does not have any other connection with the Company or individual directors. Richard Moat as the Senior Independent Director led the process for my appointment, and Dan O'Connor managed the appointment of Richard Holmes. Key elements of the appointment process included developing a specification for candidates, selecting a longlist then a shortlist of candidates, holding interviews and finally making a recommendation to the Board. I succeeded Dan as Chairman of the Board on 30 April and on his appointment to the Board, Richard was also appointed a member of the Audit and Risk Committee. In this role Richard's technical expertise as a qualified accountant with over 40 years of broad international financial services experience are of particular value.

Richard Moat and Cathryn Riley will not be seeking re-election at the 2021 AGM in April and will stand down from the Board as non-executive directors at that time. We are pleased to announce that Richard Holmes will replace Richard Moat as the Senior Independent Director and Chair of the Audit and Risk Committee, and Deborah Davis will replace Cathryn as the Remuneration Committee Chair, with effect from the conclusion of the 2021 AGM, subject to their re-election as directors. The Board would like to thank Richard Moat and Cathryn Riley for their service, insight and contribution during their time at IPF and I believe that both Richard and Deborah with be worthy successors.

Board appointments and diversity

The Committee reviewed and updated the Board Diversity Policy during the year. The Policy sets out the Board's approach to diversity and provides a high level indication of the approach to diversity in senior management roles. The Board Diversity Policy is available on our website at www.ipfin.co.uk. The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense and which appropriately represents the Group's operations, the geographies in which it operates, its strategic plans and its customer base. A number of recommendations have been made by the Financial Reporting Council and other key organisations for Nomination committees to focus on diversity, including gender and ethnicity. The Nomination Committee and the Board fully support the aims of these recommendations and takes them into account when reviewing the balance and composition of the Board and continues to promote diversity across the Group. The issue of diversity is built into Group policies as appropriate and as a business operating in different countries, collaboration between our international operations is a central dynamic in our culture. Diversity in its widest sense (including diversity of thought, background and experience) is embedded in our organisation. Further information on the Group's approach to diversity and details of our current gender diversity statistics are set out on page 41. We continue to work hard to improve our pipeline of female talent in senior management positions and regularly review all policies and practices to ensure that there are no unintended barriers that might prevent this. We are pleased to report that at Board level we continue to satisfy the gender diversity recommendations set out in the Hampton-Alexander Review.

Board Evaluation

An internal Board effectiveness review was undertaken in 2020 and the Committee's performance was reviewed as part of this. The results of this review, which were considered by the Board at its meeting in January 2021, included the finding that the Committee had met its key objectives and carried out its responsibilities effectively. It also concluded that the composition of the Board was appropriate and this would continue to be kept under review.

Annual re-election of directors

As in previous years, Board members will stand for re-election by shareholders at the 2021 AGM. All non-executive directors are considered independent in accordance with UK requirements and they continue to make effective contributions, constructively challenge management and devote sufficient time to their role. Accordingly all directors are proposed for re-election. This is with the exception of Richard Moat and Cathryn Riley who will step down from the Board and will not be seeking re-election at the AGM. Further details are contained in the Notice of Meeting circulated to shareholders.

Responsibilities of the Committee

The primary objectives of the Committee are to support the Board in its responsibility:

- To regularly review the structure, size and composition of the Board to maintain the balance of skills, knowledge, independence, experience and diversity to ensure alignment with the Company's future strategic plans;
- To consider succession planning for the Board and other senior executives and to determine skills and experience required for future appointments;
- To ensure that formal, rigorous and transparent processes are in place for appointing new directors to the Board and proposed appointees to senior management positions;
- To ensure effective, deliberate and well thought through succession planning and contingency planning processes are in place across the Group for all key positions; and
- To ensure the Group continues to have the necessary level of Board and senior management skills and leadership to deliver the strategy

Following publication of the 2018 Corporate Governance Code, the Committee has conducted a review of its terms of reference and has updated them to ensure that they are in line with the Code and reflect best practice. The terms of reference can be found on the Company's website at: www.ipfin.co.uk

Key achievements in 2020	Key objectives for 2021
• The appointment of two independent non-executive directors and their successful induction.	• To continue to keep under review the Board composition.
• The appointment of a new Chairman.	• To continue to review succession planning.
• The re-election of the directors at the 2020 AGM.	• To continue to support the development of potential internal candidates.

Audit and Risk Committee Report

The pandemic had a significant impact on the business and consequently the Committee closely monitored management's response to it throughout the year and the potential impacts on the Group's Financial statements.

Richard Moat
Chair of the Audit and Risk Committee

Committee members

Richard Moat
Chairman and senior independent non-executive director

Bronwyn Syiek
Independent non-executive director

Deborah Davis
Independent non-executive director

Richard Holmes
Independent non-executive director

For insights into our risk management process see pages 48 to 50

The table below shows the number of meetings held and the directors' attendance during 2020

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Richard Moat[2]	7	6	86%
Deborah Davis	7	7	100%
Bronwyn Syiek	7	7	100%
Richard Holmes[3]	5	5	100%

Notes
1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Richard Moat was unable to attend the February meeting due to an unavoidable and unforeseen scheduling conflict.
3. Richard Holmes was appointed as a member of the Audit and Risk Committee on 16 March 2020.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit and Risk Committee's report for the year ended 31 December 2020.

The year in review

This section of the Annual Report sets out how the Committee has addressed both routine and emerging issues during the year. As mentioned elsewhere in this Annual Report, the key challenge for the business and for the Committee has been the impact of the Covid-19 pandemic and the resultant general economic uncertainty. The pandemic had a significant effect on the Group, and consequently the Committee closely monitored management's response to it throughout the year and the potential impacts on the Group's Financial Statements. This necessitated some new ways of working, reporting and assurance activities in respect of the Group's financial reporting and financial control environment. It is the view of the Committee that the swift and effective action taken by management protected our people and the business as a whole and that the financial reporting response was appropriate. The Committee also addressed a range of routine matters, including the management of regulatory issues, cyber threat and information security, the continuing development of the compliance framework and the enhancement of the Group's risk management process. After a number of years of monitoring developments on the historic Polish tax audits, the Committee was pleased with the successful conclusion to this matter. The Committee's time was also dedicated to considering and then approving Deloitte's plan for the 2020 external audit and the 2021 internal audit plan.

Role and composition

The Committee consists of independent non-executive directors and met seven times during the year. Members and their attendance at meetings can be found on the page 78. Richard Holmes was appointed to the Committee on 1st July 2020.

The external auditor, Deloitte LLP, the Chief Executive Officer, the Chief Financial Officer, and the Group Head of Internal Audit are invited to attend all meetings. Periodically, senior management from across the Group are invited to present on specific aspects of the business. The members of the Committee meet on a regular basis outside of scheduled committee meetings, and the Committee also meets from time to time with the external auditor, without an executive director or another member of the senior management group being present.

Functionally, the Group Head of Internal Audit reports directly to the Chairman of the Committee. For routine administrative matters, the Group Head of Internal Audit's principal contact is the Chief Financial Officer. The Group Head of Internal Audit operates within a clearly defined remit and has good linkage to the Chief Executive Officer and to the rest of the organisation.

The Committee's responsibilities are outlined in its terms of reference which are available on our website at www.ipfin.co.uk. The Committee's main responsibilities are to:

- monitor the Group's systems of internal control, including financial, operational and compliance controls and risk management systems, 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 the 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 position and performance, business model and strategy;
- make recommendations to the Board, for the Board to put to shareholders in general meeting, relating to the appointment, reappointment 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 its plan;
- keep under review the work of the Risk Advisory Group, in particular the Group schedule of key and emerging risks and consider the principal and emerging risks stated on pages 51 to 56 facing the Group and their mitigation; and
- review and approve risk appetite proposals for 2021, together with the mechanisms that will be used for monitoring adherence to them during the year.

Progress against 2020 key objectives	Key objectives for 2021
• Paid close attention to the management of risks relating to taxation (in particular the Polish tax audits for 2008 and 2009), the refinancing of the Eurobond, and future legal and regulatory developments.	• In response to the ongoing Covid-19 pandemic continue to obtain assurance in respect of the Group's governance arrangements and any changes to its risk profile.
• Kept under review the Group's internal control systems, including financial, operational and compliance controls, to ensure that they continue to manage risks to the achievement of performance and future prospects. This took the impact of Covid-19 into account where appropriate. In addition, the Committee provided oversight in respect of a mapping and assessment of second line assurance which is currently underway and yielding useful insights for evaluation by management.	• Monitor the continuing execution of the return to growth strategy and the management of the associated risks.
• Closely monitored the continuing development of the risk management process and supported an independent review of the process by a third party with the aim of making further improvements to its effectiveness.	• Support the continuing development of the Group's risk management process and closely follow the implementation during the year of the recommendations from the independent review.
• Received assurance on the performance of the policies, procedures, processes and governance in place to manage the risk of our customers failing to meet their contractual obligations.	• Review and challenge when necessary the likely normalising of credit policy if the general level of uncertainty recedes as the year progresses.
• Ensured that sufficient focus continued to be taken to protect the Group's IT infrastructure, applications and data, from the continuing threat to the business of cyber security risks.	• Pay close attention to the ongoing development of a cyber security framework which will be effective in a new working environment with higher volumes of remote working than experienced before the pandemic.

Activities in 2020

Financial reporting

Having given specific consideration throughout the year to the potential impacts of the Covid-19 pandemic on the Group's financial reporting, the Committee reviewed and considered the following areas in respect of the preparation of the half-year and full-year 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 out this review, the Committee considered the work and recommendations of management and 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 application of IFRS 9 to the issues arising from Covid-19 had a significant impact on the impairment charge and the calculation of provisions. The key areas of judgement in respect of impairment provisions made against amounts receivable from customers are the parameters used in the expected loss models, the expected timing of future cash flows and post-model overlays. The expected loss models are driven by historic data in respect of probability of default and exposure at default together with loss given default for each portfolio. At both the half-year and full-year results, the Committee considered a paper prepared by management summarising the work performed to update parameters used in the expected loss and the cash flow timing models, and the judgements applied in this process. This paper also addressed the use of post-model overlays in instances where the most recent trends in the data were felt to be more relevant than some of the more historic information. This was particularly relevant in 2020 due to the use of Covid-19 post-model overlays arising from a full assessment of expected collection cash flows in order to calculate the expected impact of the pandemic on the Group's impairment provisions. Further detail on the post-model overlays considered is given in the key sources of estimation uncertainty section of this Annual Report on page 33. The external auditor performed audit procedures on impairment provisioning and reported its findings to the Committee. The Committee concluded that the receivables impairment provisioning in the Financial Statements was appropriate.
- Revenue recognition: the judgement in respect of revenue recognition is the methodology used to calculate the effective interest rate. The calculation takes into account all the contractual terms together with the extent and timing of customer early settlement behaviour. 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. The Committee concluded that revenue recognition in the Financial Statements was appropriate.
- IPF operates in multiple jurisdictions where the taxation treatment of transactions is not always certain. Management is therefore required to make judgements, based on internal expertise and external advice, on the methodology to be adopted for accounting for uncertain tax positions. Key areas of focus in 2020 include judgement taken relating to accounting for the impact of the European Commission's State Aid decision and recent HMRC enquiries on the Group's finance company (see note 32). The external auditor performed procedures to assess management's judgement and reported its findings to the Committee. The Committee concluded that the provision for uncertain tax provisions included in the Financial Statements was appropriate.
- Regulation: the business is subject to regulatory scrutiny in multiple jurisdictions and at times it is appropriate to make provisions for potentially adverse rulings by regulatory authorities. The Board received reports from the Group legal function outlining the various regulatory and other similar issues and management's approach including Polish early settlement rebating and claims management charges in Spain. The Chief Legal Officer attended all meetings of the Committee and responded as necessary to any specific questions in this area. The Committee concluded that the provisions for potentially adverse rulings by regulatory authorities and other similar issues included in the Financial Statements were appropriate.
- Going concern: in the light of the impacts of Covid-19, the Committee considered the judgement underpinning the preparation of the Financial Statements on a going concern basis in both the Half-yearly report and the Annual report. At the half year, the Committee received a paper from management setting out key considerations in respect of whether the Group is a going concern including financial projections and refinancing plans which recommended that the Financial Statements should be prepared on a going concern basis and a material uncertainty associated with the refinancing process (that was subsequently successfully concluded in November 2020) be highlighted. This paper was considered by the auditor as part of its half year review report and it reported the conclusions to the Committee. The Committee concluded that it was appropriate to prepare the Financial Statements on a going concern basis with the material uncertainty disclosure. At the year end, the Committee received a paper from management setting out the key considerations in respect of going concern, including the 2021 business plan (including funding requirements and debt facilities) and stress case scenarios that reflect the crystallisation of the Group's principal risks and a slower recovery from Covid-19 than anticipated in the plan. The auditor reviewed management's paper and underlying projections and stress tests, and reported its findings to the Committee. The Committee concluded that it was appropriate for the Financial Statements to be prepared on a going concern basis and made this recommendation to the Board.

The Committee also considered the delay to the release of the half year results in line with guidance issued by the Financial Reporting Council.

Internal control and risk management

While the Board is responsible for overseeing the Group's systems of internal control, including risk management, the review of its effectiveness is delegated to the Committee. The Group recognises the importance of strong systems of internal control in the achievement of its strategy and objectives. It is also recognised that any system can provide only reasonable and not absolute assurance against material misstatement or loss.

Closer attention was paid by the Committee specifically to the management of the threat of cyber security breach due to our employees working remotely from home throughout the year and to the threat of fraud, given the changed working environment.

The Committee reviews and approves the Group schedule of key risks, which describes the principal risks and uncertainties facing the business. The Board formally considers the schedule on a six-monthly basis and approves risk appetite annually. The Committee closely monitors and is supported in its work by the Risk Advisory Group, which in 2020 comprised the Chief Executive Officer, Chief Financial Officer and Chief Legal Officer, together with other members of the UK Executive and senior management. 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 schedule of key risks. It also considers areas of specific risk and particular issues.

The Committee challenged robustly the identification, assessment and planned mitigation of the principal risks facing the business, notably in the light of the Covid-19 pandemic.

Governments in several of our markets introduced temporary regulation, including price controls and opt-in and opt-out debt repayment moratoria, in response to Covid-19. These regulatory changes were particularly challenging due to the speed with which they were introduced. Nonetheless the Committee was pleased to note that they were addressed swiftly by management which has a strong track record of responding successfully to significant regulatory developments in our markets. We continue to monitor the situation closely. Details are covered in the Operational Review on pages 26 to 31 and in our Principal risks and uncertainties on page 48 to 56.

Additionally, the Committee continued to monitor the progress of the Polish tax audits for 2008 to 2009 which were brought to a successful conclusion in August 2020 when a full refund of the payments made in January 2017 was received. The Committee also monitored developments in respect of the European Commission's State Aid Challenge. The Board also received regular updates on associated matters relating to these issues. Details of the current status of tax audits are included in our Principal risks and uncertainties on page 52.

The Committee noted that the Group successfully refinanced the business with the €397m April 2021 bond being exchanged for a €341m November 2025 bond, and other bond and bank facilities were amended to reflect the new covenant structure. The Group's total debt facilities including a range of bonds and bank facilities remain diversified and are appropriate for the reduced scale of the business.

The Committee will continue to assess the impact of these matters on the business and will monitor management's response throughout 2021.

The internal control environments in place to manage the impact of each risk are monitored by the Committee on a regular basis, as are the principal actions being taken to mitigate 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 2020 are referred to in the 'Training' section on page 83.

Through the Committee, the Group internal audit function provides independent assurance to the Board on the effectiveness of the systems of internal control. The Committee provides oversight and direction to the internal audit plan, which was developed using a risk-based approach, to ensure that it provides independent assurance over the integrity of internal controls and the operational governance framework. In addition, the external auditor communicates to the Committee any control deficiencies in the internal control environment it observes as part of its audit procedures. Deloitte LLP, as part of its audit, did not highlight any control weaknesses that we as a Committee considered to be material.

Internal audit

Group Internal Audit is an independent assurance function within the Group providing services to the Committee and all levels of management. Its remit is to provide objective assurance over the design and operating effectiveness of the system of internal control, through a risk-based approach. It also provides insight, delivers value, protects and helps the organisation to achieve its priorities. Group Internal Audit does this by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The function facilitates the Group's risk management processes with the Committee and the Board.

The Group Head of Internal Audit reports into the Chair of the Committee and, administratively to the Chief Financial Officer. The function is composed of teams across the markets and at the Group head office in the UK, and it has a high level of qualified personnel with a wide range of professional skills and experience. Co-sourcing agreements with the largest professional services firms ensure access to additional specialist skills and an advanced knowledge base.

Group Internal Audit activities are based on a robust methodology and subject to ongoing internal quality assurance reviews to ensure compliance with the standards of the Institute of Internal Auditors. The function has invested in several initiatives to continuously improve its effectiveness including a third-party quality assessment in 2019, which concluded positively on the effectiveness of the function. Having also invested in the adoption of new technology, data analytics in particular has begun to provide deeper audit testing and will drive increased insight for Group Internal Audit. The team follows a continuous improvement plan and measures its operational effectiveness via a set of key performance indicators which are reported to each meeting of the Committee and via individual post-audit quality assessments by auditees, the results of which are also reported to the Committee.

The Committee has a permanent agenda item to cover internal audit-related topics. Prior to the start of each financial year the Committee reviews and approves the annual audit plan, assesses the adequacy of the resources and reviews the operational initiatives for the continuous improvement of the function’s effectiveness.

The Committee requested a comprehensive review of the internal audit plan in response to the Covid-19 pandemic and subsequently, in June 2020, approved a significant update of its content.

The Committee reviews progress against the approved audit plan and the results of audit activities, with a focus on unsatisfactory audit results which require attention.

During the year, Group Internal Audit focused on the principal risks which Included regulatory compliance, credit risk, cyber threat and information security, and data privacy.

The Committee is satisfied that the quality, experience and expertise of the function are appropriate for the business.

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.

In line with its established practice, the Committee monitored the effectiveness and conduct of the external auditor by reviewing:

- the experience and capabilities of the auditor and the calibre of the audit firm;
- provision of non-audit services as set out;
- robustness and perceptiveness of the external auditor in its handling of key accounting and audit judgements;
- the interaction between management and the external auditor;
- the delivery of its audit work in accordance with the agreed plan; and
- the quality of its report and communications to the Committee.

The effectiveness of the external audit process was also evaluated via a questionnaire which was completed by the Committee members and attendees, and by business unit finance directors across the Group. The results of the evaluation were reviewed and considered by the Committee which concluded that the external audit process is effective.

In order to confirm its independence and objectivity, 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 services.

The key requirements of this policy are:

- the external auditor is prohibited from providing certain services which include: tax services; payroll services; designing and implementing internal controls or risk management procedures; legal services; internal audit services; human resource services; valuation services; or general management consultancy; and
- the Committee Chair must approve any individual non-audit service over a specific fee level.

The policy of the Committee in respect of non-audit services is that the external auditor is only appointed to perform a non-audit service when doing so would be consistent with both the requirements and overarching principles of the FRC’s Revised Ethical Standard (2016), and when its skills and experience make it the most suitable supplier.

The Committee believes that the Group receives a particular benefit from certain non-audit services where a detailed knowledge of its operations is 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 LLP were as follows.

Non-audit services carried out by Deloitte LLP in 2020	Fee £’000
Other non-audit services	14
Other assurance services	122
Total	**136**

Audit tendering and auditor rotation

The Company's policy is to undertake a formal tendering exercise of the audit contract at least once every 10 years. However, the Group requested and received the approval of the Financial Reporting Council to defer the tender process for up to two years due to the challenges associated with the process in the context of Covid-19 and other competing priorities for management time arising from the pandemic. The Group plans to hold a competitive tender process for the 2023 financial year (at the latest) by which time Deloitte LLP will have been the external auditor for up to 12 years. The Committee will continue to consider Deloitte's performance on an annual basis and having undertaken its review for 2020, it is satisfied with the relationship and, in particular, with its independence, objectivity and effectiveness. Therefore, at its February 2021 meeting, the Committee recommended to the Board that Deloitte LLP be reappointed as auditor at the 2021 AGM.

During the year ended 31 December 2020, and up to the date of this report, the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit committee Responsibilities) Order 2014.

Training

The Committee undertook a significant amount of training during 2020. This included presentations on the following key business areas:

- overview of political and regulatory developments in our markets;
- overview of the current capabilities of the Group's risk management process
- taxation strategy, significant tax risks, and the international taxation regulatory environment;
- the continuing development of the Group's compliance framework development;
- the performance of the Group's information security framework;
- corporate governance reforms including Audit and Risk Committee focus areas and best practice; and
- calculation and oversight of revenue and impairment under IFRS 9 in the Covid-19 environment.

This training was complemented by discussions directly with management teams in connection with specific focus areas in the Group.

Committee effectiveness

The Committee's performance was reviewed as part of the external Board evaluation review as discussed on page 68. Feedback on the frequency of meetings, volume of business handled, the conduct of meetings and the provision of training and access to external advice was positive. The Committee is considered to function well, with structured meetings and good engagement and challenge provided across its remit by all its members. It continues to be regarded as thorough and effective, and to provide the Board with a high level of assurance that audit matters are dealt with appropriately.

Review of the effectiveness of the systems of internal control

On behalf of the Board, the Committee has monitored the Group's systems of internal control and its processes for managing principal and emerging risks throughout 2020 and performed an assessment of their effectiveness. In addition, the Committee, where appropriate, ensures that necessary actions have been or are being taken to remedy identified failings or weaknesses in the internal controls framework. These processes were in place throughout 2020 and up to 3 March 2021.

Annual Report and Financial Statements

The Committee has 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 2020, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Committee's responsibilities are outlined in its terms of reference which are available on our website at www.ipfin.co.uk.

Technology Committee Report

> **The response to the impact of Covid-19 demonstrated our ability to pivot and adapt as required while keeping focus on long-term goals.**

John Mangelaars
Chair of the Technology Committee

Committee members

John Mangelaars
Chair

Richard Moat
Senior independent non-executive director

Cathryn Riley
Independent non-executive director

Bronwyn Syiek
Independent non-executive director

The table below shows directors' attendance during 2020

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
John Mangelaars	4	4	100%
Richard Moat	4	4	100%
Cathryn Riley	4	4	100%
Bronwyn Syiek	4	4	100%

Notes
1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.

Dear Shareholder,

I am pleased to present the Technology Committee's report which provides an overview of how the Committee discharged its responsibilities during the year ended 31 December 2020.

This year a new IT vision and mission were introduced with a focus on great delivery through partnership aiming to mature relationships with business functions through technology, organisational design and capability, performance and productivity and delivery optimisation. Successful partnerships enable us to increase the pace of delivery, innovate, adapt and learn through better collaboration, simplification and standardisation thus ensuring realisation of our desired business outcomes.

Role of the Committee

The Committee assists the Board in its oversight of the Group's IT strategy and has a particular focus on reviewing progress and ensuring its alignment with the Group's business strategy, set within a context of fit for purpose governance, common architectural principles and sound financial controls. The Committee is responsible for reviewing and monitoring the IT change portfolio, the delivery framework as well as the Group cyber security strategy.

The Committee consists of four independent non-executive directors and met four times during the year. The attendance of members at each meeting is set out on the table on the left. The Chief Executive Officer, Chief Financial Officer and Group IT Director are invited to attend all meetings. The detailed responsibilities of the Committee are set out in its terms of reference, which are available on the Group's website at www.ipfin.co.uk.

Covid-19

The pandemic had a significant impact on the business and our IT response was aligned with the principles of protecting our people, prioritising our loyal customers and safeguarding the business. The primary objective was to keep the business running safely and to take action to swiftly enable effective remote working. As day-to-day activities were significantly impacted, the focus was to ensure resilience as operational challenges developed at pace and IT teams were focused on fast-moving priorities with appropriate and timely forums to raise issues and risks. The Committee stressed the importance of consistent and clear messaging to be able to deliver the extreme volumes of change required. IT delivery achieved flexibility and responsiveness in all areas including the swift enabling of effective remote customer repayments, changes to core products and systems, new security considerations, as well as cost efficiencies. The IT response also focused on proactive opportunities to accelerate, decelerate or change direction around our organisational structures, governance and how we communicate, collaborate and manage our people.

Lessons learned from the pandemic will help to shape future IT organisation and further enable enhanced delivery through partnership as the business moves forward. The success of remote working means that it will now be part of the new normal with processes, standards, security and licensing requirements to fully support this. One of the opportunities that presented itself during the pandemic was the ability to accelerate the introduction of a new change management process to promote collaboration and consistent ways of working with an assessment of the IT estate and enhanced opportunities for simplification and standardisation for 2021. The response to the impact of Covid-19 demonstrated our ability to pivot and adapt as required while keeping focus on long-term goals.

Strategy

The IT transformation strategy outside of Covid-19 continued to progress during the year and the successful completion of the digitisation of agents' sales and collections processes in our home credit businesses replacing paper was a significant achievement. The digitalisation programme not only focused on technology but also on introducing and sustaining modern ways of working to support the business with innovation and speed and enhance the colleague and customer experience. Capabilities developed in this area have been extremely useful for other business initiatives.

The Committee continued to support the development of data analysis initiatives which when matched with strong relationships with local markets and business functions ensures the enhanced use of data for the benefit of customers, such as harnessing insights from data analysis to improve credit decisioning. During 2020, the progressive roll out of our mobile wallet in IPF Digital continued with a successful launch in Latvia and we continued to invest in the resilience and security of systems ensuring that customer data remains safe and secure.

Focus for 2021

The IT function will continue to address significant challenges in 2021 and the Committee will ensure that the right foundations are in place so that IT is well prepared as a function and as a trusted partner of the business. It will continue to support the delivery of meaningful enhancements to improve the experience of customers and colleagues as we progressively modernise our IT and data architecture, and improve processes.

Key Achievements in 2020	Key Objectives for 2021
• Rapidly enabled effective remote working and remote customer repayment options across the business.	• Ensure continued alignment of the strategic initiatives to the business strategy.
• Completed the roll out of the MyProvi app in Europe, a significant milestone in the digital transformation of the home credit business.	• Continue the modernisation of the home credit IT systems and infrastructure, starting with telephony and CRM and generate growth opportunities from the digitalisation of home credit businesses.
• Introduced MyCollections functionality to the agent app in Mexico home credit.	• Complete the MyCollections roll out in Mexico and pilot innovations in Mexico to improve the speed of the finance decision and delivery of the loan.
• Continued the roll out of mobile wallet in IPF Digital enabling customers to benefit from end-to-end digital credit, payment and value-added services.	• Further delivery of mobile wallet.
• Implemented a new IT organisational structure and delivered substantial cost savings.	• Further transformation of the IT function to underpin key initiatives, develop our people and enhance partnerships with other business units and key suppliers, and develop additional synergies between the home credit and digital businesses.

Directors' Remuneration Report

In these unprecedented times, our focus has been on the proportionality and appropriateness of executive remuneration and its alignment with the experience of our stakeholders.

Cathryn Riley
Chair of the Remuneration Committee

Committee Members

Cathryn Riley
Chair and independent non-executive director

Richard Moat
Senior independent non-executive director

Deborah Davis
Independent non-executive director

Stuart Sinclair
Chairman of the Board

The table below shows the number of meetings held and the directors' attendance during 2020.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Cathryn Riley	5	5	100%
Richard Moat[2]	5	4	80%
Deborah Davis	5	5	100%
Dan O'Connor[3]	4	4	100%
Stuart Sinclair[4]	2	1	50%

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Richard Moat was unable to attend the February meeting due to an unavoidable and unforeseen scheduling conflict.
3. Dan O'Connor stepped down as Chairman of the Board at the 2020 AGM.
4. Stuart Sinclair was appointed as a director from 16 March 2020 and as Chairman of the Board from the 2020 AGM. He was unable to attend the April meeting due to a conflicting commitment made prior to joining the Board.

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020. The Remuneration Report is split into two sections:

- our Directors' Remuneration Policy (the 2020 Policy); and
- the Annual Remuneration Report, providing detail of amounts paid during the reporting year including incentive outcomes.

The Committee's primary aim at the start of 2020 was to obtain formal shareholder approval for the 2020 Policy and to implement the new Policy effectively. These goals were achieved successfully, but the onset of the global Covid-19 pandemic resulted in changes to the planned remuneration of the executive directors. As a key element of the Company's swift, proportionate and responsible action to protect our people, prioritise our loyal customers and safeguard the long-term future of the business, the Committee gratefully accepted an offer from the executive directors to surrender awards made under the 2020 Performance Share Plan and to cancel the 2020 annual bonus plan. The Committee also agreed to defer a planned increase in the base salary of the CFO. The Committee took a keen interest in, and was pleased to note, the timely and effective action taken by management to protect the wider workforce, in particular front-line employees and agents, from the worst of the economic impact driven by the pandemic. This involved protecting as far as possible the commission payments made to agents at a time when their earnings potential was adversely affected by restrictions placed on face-to-face customer contact. This has resulted in the maintenance of a stable agent workforce and the retention of their relationships with customers, which will be critical to growth as the Company rebuilds.

Our overall remuneration principles remain unchanged: simplicity and transparency; alignment with business strategy; and a strong relationship with business performance. No policy changes are anticipated in 2021.

Overview

Role and composition

The Committee comprises three independent non-executive directors and the Chairman. Full biographical details of members can be found on pages 60 and 61. Dan O'Connor stepped down from the Committee at the conclusion of the 2020 AGM. The Committee met five times during the year. Attendance at meetings can be found on page 86.

The Committee's responsibilities include:

- approving the remuneration policy for executive directors, the Chairman and the senior management group, and making recommendations to the Board. The Committee takes account of the remuneration of the wider workforce when setting remuneration policy for, and making remuneration decisions, in respect of the executive directors;
- determining appropriate performance targets and incentive outcomes; and
- engaging with shareholders on matters relating to remuneration.

The Committee's terms of reference are available under the Investors section of our website at www.ipfin.co.uk.

2020 focus and progress

The Committee's work focused on four areas in 2020:

- obtaining formal shareholder approval for the 2020 Policy at the 2020 AGM, which was achieved with 87.89% of votes in favour;
- implementation of the 2020 Policy as detailed in this Directors' Remuneration Report;
- ongoing monitoring of, and response to, evolving market and best practice, particularly in light of the Covid-19 pandemic; and
- the re-appointment of Willis Towers Watson as advisor to the Committee.

Business context – 2020 performance

Following a strong start to the year, 2020 performance was impacted by the challenging trading environment brought about by Covid-19. Swift and effective management of the crisis to protect our people, customers and safeguard the business delivered a progressive improvement in performance through the second half of the year. Full year results for 2020 were impacted by reduced credit issued, higher impairment and cost reductions implemented to protect the business: in addition, no dividend was paid to shareholders for the year. However, a strong funding position following the successful refinancing of the Company has created the sound foundation required to return the Group to profitability and deliver long-term growth.

The Operational and Financial reviews for 2020 can be found on pages 26 to 31 and 32 to 36 respectively and include some of the key financial metrics that we would ordinarily use to incentivise executive directors to deliver our strategy.

Performance headlines include:

- Group pre-exceptional loss before tax of £28.8 million, down from a profit of £114.0 million in 2019;
- pre-exceptional revenue less impairment of £413.7 million, a decrease of £231.9 million driven by the impact of the Covid-19 pandemic;
- cost savings of £58.3 million delivered;
- focus on quality and liquidity resulted in a 41% year-on-year reduction in credit issued; and
- pre-exceptional loss per share was 24.0 pence in 2020 compared with earnings per share of 32.2 pence in 2019, reflecting the deterioration in profitability arising from the impact of Covid-19 and the tax charge.

Key decisions during 2020

Clearly 2020 was not a normal year, however the Committee continued to engage in strong and detailed debate to ensure that all decisions were appropriate from a 2020 Policy perspective; that they demonstrated clear alignment between the execution of our strategic priorities and our business performance over the financial year; and that they reflected the Covid-19 challenges the business faced. In particular, the Committee took into consideration: the impact on shareholders of our decision to cancel the 2019 full year dividend; the lack of dividend pay-out in 2020; and the impact on the wider workforce of Covid-19-related redundancies and cancelled salary reviews across the Group.

This is shown in:

- no base salary increase in 2020 for our Chief Executive Officer;
- no base salary increase in 2020 for our Chief Financial Officer, the Committee having accepted a request from the CFO to defer a base pay award of 5%, originally due to be applied from April 1st, 2020;
- commitment to align executive director pension contribution rates with those of the wider workforce by the end of 2022, consistent with the Investment Association's position;
- the Group's senior management group voluntarily opting to cancel the 2020 annual bonus plan in light of the Covid-19 pandemic, as a result of which no bonus payments are due;
- the Committee accepting the offer by the executive directors to surrender awards made under the 2020 Performance Share Plan; and
- legacy 2018 PSP awards that have vested at 0% reflecting negative TSR performance and the impact of Covid-19 on EPS and net revenue growth, see page 95.

The Committee did not exercise any discretion during the year and no performance conditions or targets for in-flight long-term incentives have been adjusted.

2021 focus

- Further monitoring of macroeconomic conditions arising from the Covid-19 pandemic and their impact on market practice and the wider workforce.
- Effective implementation of the 2020 Policy which will include:
  - no base salary increase in 2021 for our Chief Executive Officer, with salary remaining at £533,000;
  - no base salary increase in 2021 for our Chief Financial Officer, with salary remaining at £305,000. The Committee has accepted a request from the CFO to defer for a second year a base pay award of 5%, originally due to be applied from April 1st, 2020. This was intended to be the final instalment of the plan, communicated in the 2016 Directors' Remuneration Report, to increase the CFO's salary at a rate beyond that of the wider workforce, to a level commensurate with the role. The CFO continues to perform at a high level and in view of the two-year delay in implementing the agreed increase, the Committee expects to undertake a further review of total package competitiveness in 12 months' time, to ensure that the planned increase remains appropriate;
  - reinstatement of the Group annual bonus plan, including that for executive directors, to ensure they are appropriately incentivised on returning the Group to profitability, with 80% of any bonus payable subject to financial performance; and
  - 2021 Performance Share Plan (PSP) awards of 160% of salary for the CEO and CFO, to ensure that the executive directors are adequately focused on the generation of shareholder value as the Company rebuilds and grows in line with our strategy. The Committee agreed that, following the executive directors' voluntary surrender of 2020 PSP awards, together with the cancellation of the 2020 annual bonus plan and no salary increase for two years, there is a clear need to offer a strong incentive to recognise future performance. Likewise, the Committee feels that it is entirely appropriate to recognise the performance of the executive directors in 2020, which was notable not only for an outstanding reaction to the Covid-19 crisis (which included protecting the income of our agents and prioritising our most loyal customers, plus a comprehensive care plan covering our employees in all countries), but also for the successful refinancing of the Eurobond and conclusion of the long-running Polish tax case. Taken together with effective action to rightsize the business, which has equipped the Company to move forward with confidence, the Committee is clear that a full award under the 2020 Remuneration Policy is merited. The Committee retains discretion to reduce the amount of an award which will vest, on the basis of the wider underlying financial performance of the Group over the performance period.

Wider workforce pay and conditions

In making its remuneration decisions, the Committee continues to review wider workforce remuneration and related policies. In 2020, it considered in particular:

- feedback from the Workforce and Stakeholder Engagement director;
- the operation of incentive plans for employees and agents (in particular, the extent to which agent earnings were successfully protected during the first wave of the Covid-19 pandemic) and their alignment with incentives for executive directors and the senior management group;
- rates of salary increase for employees; and
- core demographic data, including but not restricted to, employee and agent turnover.

In conclusion, as Chair of the Committee I remain committed to maintaining an ongoing and open dialogue with you, our shareholders and to reporting on positive progress in 2021.

Cathryn Riley
3 March 2021

Remuneration at a glance

Our remuneration framework is intended to strike an appropriate balance between fixed and variable pay components, and to provide a clear link between pay and our key strategic priorities. Executive director and senior management remuneration are structured so that individuals are rewarded only for the successful delivery of the key strategic priorities of the Company over both the short and long-term.

Our strategic priorities

H1 2020	H2 2020	2021	2022+
1	2	3	4
Protect our people, prioritise loyal customers and protect the business	**Rightsize the business**	**Rebuild the business**	**Longer-term growth**
	Reduce cost base and prioritise investments	Progressive improvements in collections and sales	Deliver long-term growth
✓ Completed	✓ Completed	✓ Underway	Future Focus

2020 performance	2020	Change
Pre-exceptional loss before tax	**(£28.8m)**	(£142.8m)
Loss per share	**(28.9p)**	(61.1p)
Pre-exceptional revenue less impairment	**£413.7m**	(£231.9m)

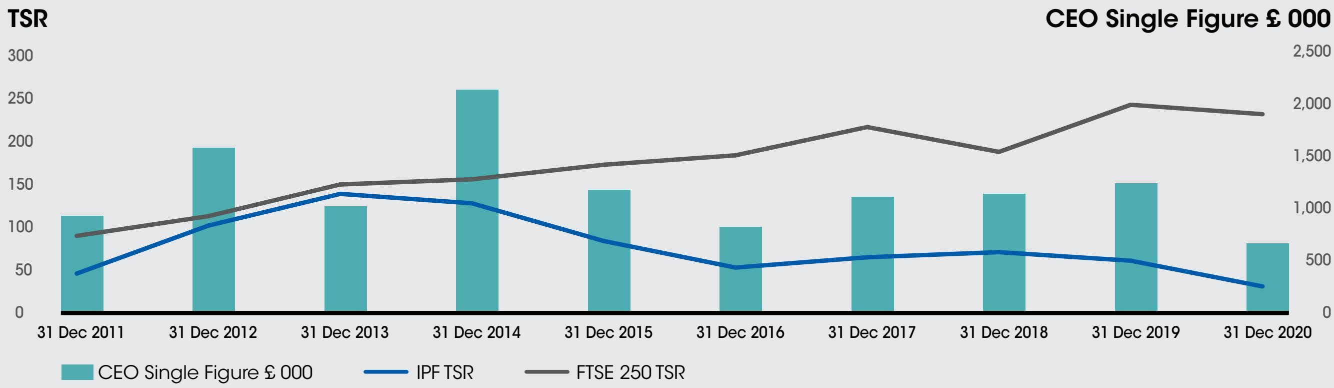
Our remuneration outcomes	2020
Base pay award for our CEO	**0%**
Base pay award for our CFO	**0%**
Bonus as % of maximum for CEO	**N/A[1]**
Bonus as % of maximum for CFO	**N/A[1]**
Performance Share Plan awards for CEO	**160%**
Performance Share Plan awards for CFO	**160%**
Legacy 2018 Performance Share Plan vested at	**0%**

1. No annual bonus plan operated in 2020.

Our 2020 Remuneration Policy at a glance

Our Remuneration Policy	2020 2021 2022 2023 2024 2025	Links to strategy	Key features
Salary, pension and benefits		To attract and retain talent capable of delivering the Group's strategy.	Normally reviewed annually. Increases take into account salary reviews across the Group and increases paid to UK employees.
Annual bonus	Deferral of 50% Malus on deferral Clawback on cash	To motivate and reward sustainable Group profit before tax and the achievement of specific personal objectives linked to the Company's strategy.	On-target performance delivers 50% of maximum. Maximum opportunity 130% of base. 50% cash and 50% deferred for three years. Typically, 80% based on financial measures and 20% on personal objectives linked to strategy.
Long-term incentive plan	Vest period 2-year holding Clawback period	To motivate and reward longer-term performance, and support shareholder alignment through incentivising absolute shareholder value creation.	In normal circumstances, award equivalent to 160% of base salary at time of grant. Three-year performance period with three weighted metrics. 25% vesting at threshold; straight line to maximum. Two-year post-vesting holding period. Two-year post-cessation shareholding requirement.

TSR Performance vs CEO Single Figure



Directors' remuneration policy

The remuneration Policy was explained in detail on pages 88-96 of the 2019 Annual Report and Financial Statements. A copy of the Report can be found on our corporate website under the Investors section at www.ipfin.co.uk, together with all notes to the policy, which are unchanged other than as detailed below. The Policy was approved by shareholders at the 2020 AGM and took effect from 30 April 2020.

Key aspects of the Policy are summarised below.

Element	Operation	Maximum opportunity	Metrics, weightings and period
Base salary	• Normally reviewed annually. • Set considering role, experience, responsibility and performance of both the individual and the Company; also taking into account market conditions and the salaries for comparable roles in similar companies.	• Takes into account salary reviews across the Group; usually in line with increases awarded to UK employees.	• None. Overall performance of the individual considered by the Committee when setting and reviewing salaries annually.
Pension	• Company operates a stakeholder scheme; at the discretion of the Committee, this may be paid as a cash allowance.	• Company contribution set at the most common rate for the wider workforce, currently 12%, for new-hire executive directors.	• None.
Benefits	• Company pays the cost of providing benefits on a monthly, annual or one-off basis. • All benefits are non-pensionable.	• Standard benefits package includes: life assurance of 4x salary; car allowance; long-term disability cover; private medical cover for executive director and immediate family; annual medical; and ability to participate in the IPF Save As You Earn Plan (SAYE).	• None.
Annual bonus	• Measures and targets set annually; payout levels determined by the Committee after year end, based on performance. • 50% of total amount deferred for three years in Company shares through the Deferred Share Plan (DSP). • Remaining 50% paid in cash. Provisions for clawback adjustments on the occurrence of certain events.	• On target bonus: 50% of maximum. • Maximum opportunity: 130% of base salary.	• Performance measured over the financial year and assessed using financial and strategic measures (typically 80%) and personal objectives (typically 20%) linked to achievement of Company strategy. • Committee will set a minimum threshold profit target before any other metrics are assessed.
Deferred Share Plan (DSP)	• 50% of total bonus amount subject to compulsory deferral for three years in Company shares without any matching. • DSP has provision for malus and clawback adjustments on the occurrence of certain events.	• 50% of the total bonus amount received during the year.	• None.

Element	Operation	Maximum opportunity	Metrics, weightings and period
Performance Share Plan (PSP)	• Annual grant of awards, made generally as nil-cost options over a specific number of shares subject to meeting specified performance targets. • Committee has discretion to decide whether, and to what extent, targets have been met. • Executive directors required to hold shares acquired on vesting (net of any shares that may need to be sold to cover taxes) for a two-year period starting on the date of vesting. • Provisions for malus and clawback adjustments on the occurrence of certain events.	• Normally, award levels for executive directors equivalent to 160% of base salary at the time of grant. • Rules permit annual grants up to individual limit of 250%. • 25% of award vests at threshold performance, with straight-line vesting to maximum.	• Service and performance conditions must be met over three-year periods. • Performance assessed against three independently measured metrics: 1/2 absolute TSR performance; 1/4 cumulative EPS growth; and 1/4 growth in revenue less impairment. • Committee will compare the Company's absolute TSR performance with comparator groups considered appropriate at point of vesting. • Targets set by the Committee, and described in the annual Directors' Remuneration Report of the relevant year.
Shareholding requirement	• Executive directors expected to acquire a beneficial shareholding over time. • 50% of share awards vesting under Company's share incentive plans (net of exercise costs, income tax and social security contributions) must be retained until the shareholding requirement is met.	• Current shareholding requirement for executive directors is 200% of base salary.	• None.
Post-cessation shareholding	• Post-cessation shareholding policy set at 1x the shareholding requirement or the number of shares actually held at leaving, whichever is lower, for two years.	• Not applicable.	• Two-year post-cessation holding period.

Amended Notes to the 2020 Policy

Directors' service agreements and letters of appointment

The date of service agreements of directors who served during the year and their letters of appointment are:

Executive director	Date of service agreement	Duration of service agreement
Gerard Ryan	January 2012	No fixed term
Justin Lockwood	February 2017	No fixed term

Non-executive director	Date of appointment
Richard Moat	July 2012
Cathryn Riley	February 2014
John Mangelaars	July 2015
Deborah Davis	October 2018
Bronwyn Syiek	October 2018
Stuart Sinclair	March 2020
Richard Holmes	March 2020
Dan O'Connor[1]	January 2015

1. Dan O'Connor stepped down as Chairman of the Board at the 2020 AGM.

Annual Directors' Remuneration Report 2020

Single figure of total remuneration (audited information)

The following table sets out the single figure of total remuneration for directors for the financial years ended 31 December 2019 and 2020.

	A. Salary/Fees £'000		B. Benefits £'000		C. Bonus[1] £'000		D. LTIP £'000		E. Pension £'000		Total £'000 (A, B, C, D, E)		Total fixed remuneration £'000 (A, B, E)		Total variable remuneration £'000 (C, D)	
	2020	2019	**2020**	2019	**2020**	2019	**2020[2]**	2019[3]	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Executive directors																
Gerard Ryan	**533**	530	**25**	25	**–**	383	**25**	86	**94**	93	**677**	1,260	**652**	648	**25**	469
Justin Lockwood	**305**	299	**22**	22	**–**	216	**13**	50	**41**	41	**381**	700	**368**	362	**13**	266
Non-executive directors																
Deborah Davis	**55**	55	**–**	–	**–**	–	**–**	–	**–**	–	**55**	55	**55**	55	**–**	–
Richard Holmes[4]	**44**	–	**–**	–	**–**	–	**–**	–	**–**	–	**44**	–	**44**	–	**–**	–
John Mangelaars[5]	**65**	65	**–**	–	**–**	–	**–**	–	**–**	–	**65**	65	**65**	65	**–**	–
Richard Moat[6]	**90**	83	**–**	–	**–**	–	**–**	–	**–**	–	**90**	83	**90**	83	**–**	–
Dan O'Connor[7]	**67**	200	**–**	–	**–**	–	**–**	–	**–**	–	**67**	200	**67**	200	**–**	–
Cathryn Riley[8]	**65**	65	**–**	–	**–**	–	**–**	–	**–**	–	**65**	65	**65**	65	**–**	–
Stuart Sinclair[9]	**141**	–	**–**	–	**–**	–	**–**	–	**–**	–	**141**	–	**141**	–	**–**	–
Bronwyn Syiek	**55**	55	**–**	–	**–**	–	**–**	–	**–**	–	**55**	55	**55**	55	**–**	–

1. Bonus payable in respect of the financial year including any deferred element at face value at date of award. No annual bonus plan was operated in 2020.
2. The value of awards included in the table for 2020 relates to the PSP award granted in 2018, the performance period for which was the three financial years ending 31 December 2020 and did not vest. This value also includes the anticipated value of dividend equivalents that will be payable in 2021.
3. The value of awards included in the table for 2019 has been revised to reflect the actual value of awards at date of vesting and any dividend equivalents received in 2020 when the awards became exercisable.
4. Richard Holmes was appointed to the Board from 16 March 2020 and his fee for 2020 was paid pro rata on that basis.
5. John Mangelaars chaired the Technology Committee during 2020. In addition to his base fee of £55,000, he was paid a fee of £10,000 per annum for this additional responsibility.
6. Richard Moat was appointed senior independent director from 2 May 2019 and chaired the Audit and Risk Committee during 2020. In addition to his base fee of £55,000, he received fees of £20,000 and £15,000 per annum respectively for these additional responsibilities.
7. Dan O'Connor was Chairman of the Board until he stepped down at the conclusion of the 2020 AGM. His fee for 2020 was paid pro rata on that basis.
8. Cathryn Riley chaired the Remuneration Committee during 2020. In addition to her base fee of £55,000, she was paid a fee of £10,000 per annum for this additional responsibility.
9. Stuart Sinclair was appointed as director of the Board from 16 March 2020 and as Chairman of the Board from the 2020 AGM, and his fee for 2020 was paid pro rata on that basis.

Additional disclosures for Single Figure of Total Remuneration

Base salary

The base salary of the Chief Executive Officer remained at £533,000, following no increase in 2020. The base salary of the Chief Financial Officer also remained unchanged at £305,000 in 2020 following the CFO's request that a base salary increase of 5% approved by the Committee should not be implemented in light of the Covid-19 crisis. As detailed on page 88, the Committee has accepted a further request from the CFO to defer this planned increase for a second year in 2021.

Benefits

The benefits provided to the executive directors in 2020 included: private healthcare, life assurance, annual medical, long-term disability cover, and a cash allowance in lieu of a company car. Neither of the executive directors received total taxable benefits exceeding 8% of salary in 2020, and it is not anticipated that the cost of benefits provided will exceed this level materially during the period in which the 2020 Policy applies.

Determination of 2020 annual bonus

Due to the impact of the Covid-19 pandemic and as explained on page 87, no annual bonus plan was operated in 2020.

Personal objectives

The tables on pages 93 and 94 summarise the personal objectives that were set for the Chief Executive Officer and Chief Financial Officer in 2020 and achievement against them. As no annual bonus plan was offered in 2020, personal objectives were not bonusable.

Criteria met

Criteria partially met

Criteria not met

Chief Executive Officer

Category	Objectives	Weighting %	Results	Achievement
Funding	Conduct full refinancing review of IPF. Develop approach, appoint partners and deploy refinance plan to deliver sustainable financial resources.	**25%**	A full refinancing of IPF's Eurobond was planned and ready for execution in March 2020. This was disrupted by the pandemic and the subsequent "closing" of the debt markets during the middle of the year. Following a complete re-evaluation of our financing requirements, we worked with external advisors and delivered a successful refinancing in November.	
Strategy	Build a strategy to deliver a consolidated digital business solution in Poland. Deploy strategy and implement all organisation changes.	**15%**	Following an in-depth strategic review of how best to serve our customer segment in Poland, we consolidated our two digital businesses in that country under a single leadership team. The two organisations have been successfully combined and this will give rise to a better customer experience and stronger financial results. A single digital technology platform will be implemented in due course.	
Covid-19 pandemic response	Build, deploy and communicate, both internally and externally, a comprehensive and effective Covid-19 business strategy to safeguard our people, our organisation and our stakeholders.	**35%**	With the arrival of the pandemic in our European businesses in February 2020, we established a strategy to protect our people and our business. The plan was constructed by a purpose-built team and was both well executed and well communicated. In addition to safeguarding employee and agent wellbeing, managing credit quality and liquidity, a separate plan was developed to provide regular and consistent updates on the progress of the business to board and external stakeholders.	
People and structure / Technology	Re-structure our Information Technology organisation to deliver both excellent business service and optimised capability to deliver innovative technology solutions across IPF.	**15%**	Following a comprehensive review of the services being provide by the Group technology team, we have successfully restructured the team to provide a more rapid and efficient response to the technology needs of the Group, in addition to improving Group oversight of architecture and security. This has been achieved with a smaller team giving rise to added cost efficiencies across the business.	
Strategy	Lead the organisation toward improved customer focus and improved customer experience performance.	**10%**	Both strategic and operational focus has driven significant customer centred improvements across IPF. Major consolidation of call centre leadership in Europe has facilitated positive change and customer experience metrics have been deployed globally and are now embedded in our Group performance management protocols.	

Chief Financial Officer

Category	Objectives	Weighting %	Results	Achievement
Covid-19 pandemic response	Design and lead the Group's financial response to the Covid-19 pandemic including liquidity management, cost management, forecasting, financial reporting and investor engagement.	**40%**	At the onset of the pandemic it became clear that the Group's cash flows would be significantly disrupted and a decision was taken to prioritise these as part of our Covid-19 response. A new liquidity forecasting tool was built and embedded into business decision making to manage liquidity by flexing credit issued to balance collection trends. IFRS 9 impairment overlays were designed, agreed with the external auditor and implemented in the Group's financial reporting and revised forecasting methodology. Actions were taken to reduce costs significantly in the short term during Q2 and then to execute a rightsizing process in Q3 to ensure that the Group's cost base reflected the reduced scale of the business. The Group maintained significant liquidity through the pandemic period and returned to profit in the second half of 2020.	●
Funding	Refinance the Group's balance sheet in order to provide a firm foundation from which the Group's business strategy can be executed.	**30%**	Preparations made to execute the refinancing of the Group's 2021 Eurobond in Q1 were disrupted by the onset of the pandemic and a decision was taken to suspend work until the operational and financial implications were clearer. The process was complicated by the need to seek covenant amendments from providers of debt financing. The refinancing process was successfully concluded in November 2020 through a combination of an exchange offer, consent solicitation process and bilateral bank amendment agreements which secured sufficient funding to execute the Group's business strategy.	●
Taxation	Proactively manage the Group's ongoing open tax audits with particular reference to the 2008 and 2009 cases in Poland.	**15%**	The Group's appeal against the 2008 and 2009 Polish tax cases was upheld in March 2020 and the Polish tax authority chose not to appeal, which closed this long-running issue. The Group received c.£45 million in tax refunds and interest in August 2020. There were no further significant issues arising from tax audits.	●
People	Increase leadership capability across the Group's finance function with a focus on business partnering and Commercial Finance.	**15%**	The Group's finance team was strengthened through the appointment and induction of two high calibre financial professionals into business finance director positions. The commercial analysis team in the European home credit business was merged with the Financial Planning and Analysis team in the rightsizing process and is positioned to generate benefits in 2021.	●

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 the Chief Executive Officer is 20% of base salary (17.4% net) and for the Chief Financial Officer is 15% of base salary (13.4% net). At the discretion of the Committee, this may be paid wholly, or in part, as a cash allowance, net of employer's National Insurance contributions.

The Company's contributions in respect of Gerard Ryan during 2020 amounted to £93,700, all of which was paid as a cash allowance. The Company's contributions in respect of Justin Lockwood during 2020 amounted to £40,866, £35,249 of which was paid as a cash allowance.

As detailed in the 2020 Policy, the Company contribution rate for new-hire executive directors is set at the most common rate for the wider workforce, currently 12%. The Committee reiterates its commitment, made in the 2019 Directors' Remuneration Report, to align executive director pension contribution rates with those of the wider workforce by the end of 2022, consistent with the Investment Association's position.

Long-term incentives

Awards estimated to vest during 2021 (included in 2020 Single Figure)

The LTIP amount included in the 2020 single figure relates to the PSP awards granted in 2018. The performance achieved against the performance targets is shown below:

PSP

Performance condition	Weighting	Threshold	Maximum	Achieved	Projected vesting
Absolute TSR growth[1]	50%	30% TSR over 3 years	60% TSR over 3 years	(60)%	0%
Cumulative EPS growth	25%	91.5 pence	106.7 pence	51.5 pence	0%
Growth in revenue less impairment	25%	4.6% p.a.	6.7% p.a.	(2.0%) p.a.	0%
Total					0%

1. Based on TSR from 1 January 2018 to 31 December 2020.

Awards granted during 2020 and subsequently surrendered

Executive directors were initially granted long-term incentive plan awards structured as PSP options in February 2020 as detailed below. However, for reasons related to the business impact of the Covid-19 pandemic as detailed on page 87, awards were subsequently cancelled via Deed of Surrender. No additional awards were made in 2020.

	Number of PSP nil-cost options	Face value £	Percentage of base salary	End of performance period	Threshold vesting	Weighting	Performance conditions
Gerard Ryan	624,623	1,012,700	190%	31 December 2023	25%	50%	Absolute TSR
					25%	25%	Cumulative EPS growth
					25%	25%	Net Revenue growth
Justin Lockwood	357,430	579,500	190%	31 December 2023	25%	50%	Absolute TSR
					25%	25%	Cumulative EPS growth
					25%	25%	Net Revenue growth

Awards granted in 2021 will be in line with the 2020 Policy.

DSP

In 2020, half of the annual bonus earned in respect of 2019 was deferred into shares. There are no further performance conditions attached to the vesting of the deferred shares.

The following table sets out details of awards of nil-cost options made during the year under the DSP:

	Date of award	Face value[1] £
Gerard Ryan	28 February 2020	191,372
Justin Lockwood	28 February 2020	107,923

1. The face value was calculated using the mid-market closing price for the day preceding the date of grant, being 160 pence per share.

As no annual bonus plan was offered to executive directors in 2020 and no payments were made, there will be no deferral into the DSP in 2021.

SAYE

As noted in the 2020 Policy, UK-based executive directors are entitled to participate in the Company's all-employee plan. No plan was offered to employees in 2020.

Loss of office payments

No payments were made for loss of office during 2020.

Payments to past directors (audited information)

No payments were made to past directors during the year.

Annual percentage change in the remuneration of directors and employees

The table below shows how the percentage change in each director's salary, benefits and bonus between 2019 and 2020 compared with the average percentage change in each of those components for employees, on a full-time equivalent basis.

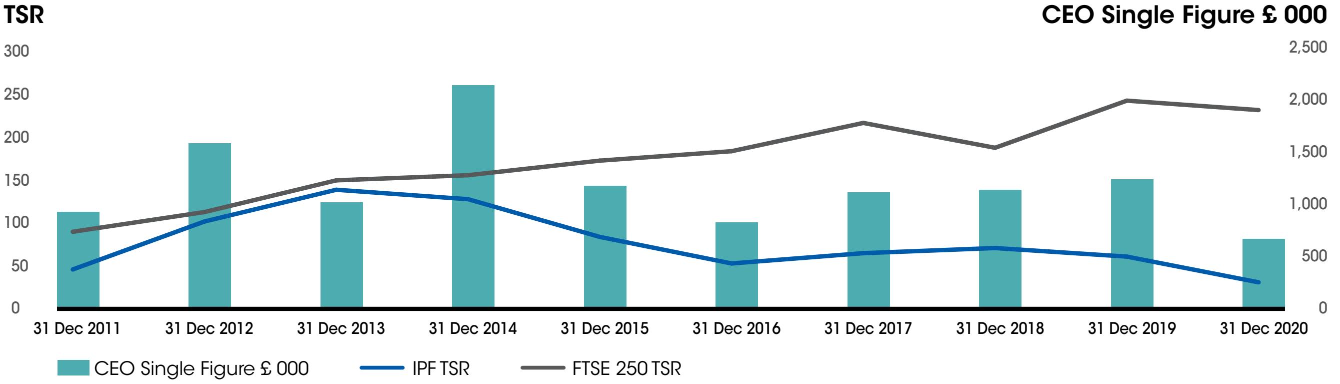
Percentage change 2020 vs. 2019	Base salary	Benefits[1]	Bonus[2]
Executive directors			
Gerard Ryan	1%	0%	(100%)
Justin Lockwood	2%	0%	(100%)
Non-executive directors[3]			
Deborah Davis	0%	N/A	N/A
Richard Holmes[4]	N/A	N/A	N/A
John Mangelaars	0%	N/A	N/A
Richard Moat	8%	N/A	N/A
Cathryn Riley	0%	N/A	N/A
Stuart Sinclair[5]	N/A	N/A	N/A
Bronwyn Syiek	0%	N/A	N/A
Employees	1%	3%	(100%)

1. Non-executive directors are ineligible for any benefits.
2. Non-executive directors are ineligible for any bonus.
3. Dan O'Connor was Chairman of the Board until he stepped down at the conclusion of the 2020 AGM and is not included on that basis.
4. Richard Holmes was appointed to the Board from 16 March 2020.
5. Stuart Sinclair was appointed as director of the Board from 16 March 2020 and as Chairman of the Board from the 2020 AGM.

TSR performance

The graph below compares the TSR of the Company with the companies comprising the FTSE 250 Index for the ten-year period ended 31 December 2020. This index was chosen for comparison because it is the index on which IPF originally listed, and to which it continues to compare itself. TSR data is presented in tandem with CEO single figure total remuneration for the same period to highlight the relationship between remuneration and shareholder returns.

IPF TSR vs FTSE 250 VS CEO single figure total remuneration



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 maximum over the same period:

		CEO single figure of remuneration £'000	Annual bonus payout (as % maximum opportunity)	LTIP vesting (as % of maximum opportunity)
2020	Gerard Ryan	677	–	–
2019	Gerard Ryan	1,260	72.3%	33%
2018	Gerard Ryan	1,158	98.0%	–
2017	Gerard Ryan	1,130	96.6%	–
2016	Gerard Ryan	838	16%	23.3%
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[1]	889	80%	–
	John Harnett[2]	718	–	–
2011	John Harnett	943	67%	–

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

Relative spend on pay

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

£million unless otherwise stated	2020	2019	Percentage change
Overall expenditure on pay	171.8	200.9	(14.5%)[1]
Dividend paid in the year	–	27.7	(100%)

1. The percentage change at a constant exchange rate is (11.0%).

Other directorships

The executive directors do not currently hold any external directorships or external appointments.

Directors' shareholdings and share interests (audited information)

The interests of each person who has served as a director of the Company during the year as at 31 December 2020 (together with interests held by his or her persons closely associated) are shown in the table below. When Cathryn Riley and Richard Moat bought shares they invested sufficiently to meet the shareholding requirement. Bronwyn Syiek, Deborah Davis and Stuart Sinclair are currently within the three-year period to build their shareholding. Executive directors are required to retain half of any vested Company share plan options until the shareholding requirement is met.

	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/fee)	Shareholding (% salary/fee)[1]	Requirement met
Executive directors[2]									
Gerard Ryan	1,256,576	910,850	350,360	20,930	61,118	103,157	200	205	Yes
Justin Lockwood	89,922	490,316	188,552	20,930	31,467	71,114	200	39	No
Non-executive directors[3]									
Deborah Davis	45,000	–	–	–	–	–	100	67	No
Richard Holmes	275,133	–	–	–	–	–	100	408	Yes
John Mangelaars	50,000	–	–	–	–	–	100	74	No
Richard Moat	15,000	–	–	–	–	–	100	22	No
Cathryn Riley	14,795	–	–	–	–	–	100	22	No
Stuart Sinclair	86,944	–	–	–	–	–	100	35	No
Bronwyn Syiek	20,000	–	–	–	–	–	100	30	No

1. Based on a share price of 81.50 pence, being the closing price on 31 December 2020 and using the non-executive directors' base fee. Any vested but unexercised shares are included in the shareholding requirement calculation net of tax and NI.
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 director fee within three years of appointment.

There were no changes to these interests between 31 December 2020 and 3 March 2021.

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 in the 2020 policy which can be found on pages 89 to 92 of the 2019 Annual Report and Financial Statements, available under the Investor section of the Company website at www.ipfin.co.uk.

In addition, the following director retained interests in the sterling retail bond as follows:

Director	Retail bond as at 31 December 2020
Cathryn Riley	£28,800

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

	Date of award	Awards held at 31 December 2019	Awarded in 2020	Exercised in 2020	Lapsed / Surrendered in 2020[1]	Awards held at 31 December 2020	Performance condition period	Market price at date of grant (p)	Exercise price (p)	Exercise period
Gerard Ryan										
PSP	11 Apr 2017	370,408	–	–	(248,172)	122,236	1 Jan 2017 – 31 Dec 2019	170	–	11 Apr 2020 – 10 Apr 2027
	19 Apr 2018	408,162	–	–	–	408,162	1 Jan 2018 – 31 Dec 2020	248	–	19 Apr 2021 – 18 Apr 2028
	8 Mar 2019	502,688	–	–	–	502,688	1 Jan 2019 – 31 Dec 2021	191	–	8 Mar 2022 – 7 Mar 2029
	28 Feb 2020	–	624,623	–	(624,623)	–	–	147	–	–
DSP: Deferred	11 Apr 2017	31,608	–	–	–	31,608	–	170	–	–
Matching	11 Apr 2017	31,608	–	–	(21,177)	10,431	1 Jan 2017 – 31 Dec 2019	170	–	11 Apr 2020 – 10 Apr 2027
Deferred	10 Apr 2018	102,043	–	–	–	102,043	–	246	–	–
Deferred	8 Mar 2019	128,709	–	–	–	128,709	–	191	–	–
Deferred	28 Feb 2020	–	119,608	–	–	119,608	–	147	–	–
SAYE	30 Aug 2019	20,930	–	–	–	20,930	–	–	86	1 Nov 2022 – 31 May 2023
Total		**1,596,156**	**744,231**	**–**	**(893,972)**	**1,446,415**				
Justin Lockwood										
PSP	11 Apr 2017	190,705	–	–	(127,771)	62,934	1 Jan 2017 – 31 Dec 2019	170	–	11 Apr 2020 – 10 Apr 2027
	19 Apr 2018	219,716	–	–	–	219,716	1 Jan 2018 – 31 Dec 2020	248	–	19 Apr 2021 – 18 Apr 2028
	8 Mar 2019	270,600	–	–	–	270,600	1 Jan 2019 – 31 Dec 2021	191	–	8 Mar 2022 – 7 Mar 2029
	28 Feb 2020	–	357,430	–	(357,430)	–	–	147	–	–
CSOP	4 Mar 2014	500	–	–	–	500	1 Jan 2014 – 31 Dec 2016	525	525	4 Mar 2017 – 3 Mar 2024
DSP: Deferred	11 Apr 2017	35,718	–	–	–	35,718	–	170	–	–
Matching	11 Apr 2017	11,906	–	–	(7,977)	3,929	1 Jan 2017 – 31 Dec 2019	170	–	11 Apr 2020 – 10 Apr 2027
Deferred	10 Apr 2018	52,537	–	–	–	52,537	–	246	–	–
Deferred	8 Mar 2019	68,562	–	–	–	68,562	–	191	–	–
Deferred	28 Feb 2020	–	67,453	–	–	67,453	–	147	–	–
SAYE	30 Aug 2019	20,930	–	–	–	20,930	–	–	86	1 Nov 2022 – 31 May 2023
Total		**871,174**	**424,883**	**–**	**(493,178)**	**802,879**				

1. The April PSP, CSOP and DSP Matching 2017 all vested at 33%. The February PSP 2020 was surrendered in full.

The mid-market closing price of the Company's shares on 31 December 2020 was 81.50 pence and the range during 2020 was 32.55 pence to 179.80 pence. As neither director exercised options in 2020 that were granted under the DSP, no gains have arisen.

Share dilution

The Company manages dilution rates within the standard guidelines of 10% of issued ordinary share capital in respect of the all employee share plan and 5% in respect of discretionary plans.

Shareholder voting

The table below summarises voting outcomes at the 2018, 2019 and 2020 AGMs (% of total votes cast):

AGM		For	Against	Withheld[1]
2018	Annual Remuneration Report	98.65%	1.35%	0.00%
2019	Annual Remuneration Report	87.64%	12.36%	0.01%
2020	Annual Remuneration Report	87.24%	12.76%	0.00%
2020	Directors' Remuneration Policy	87.89%	12.11%	0.00%

1. Votes withheld are not counted in the votes for or against a resolution but would be considered by the Committee in the event of a significant number of votes being withheld.

Statement of Implementation

The base salary for the Chief Executive Officer will remain unchanged at £533,000.

The base salary of the Chief Financial officer will remain unchanged at £305,000 following the Committee's decision as explained on page 88 to accept the Chief Financial Officer's request to defer a base pay award of 5% for a second year.

Maximum bonus opportunity will be 130% of base salary (on target 50% of maximum), in line with the 2020 Policy, with performance measures weighted 80% financial and strategic and 20% personal, also in line with the 2020 Policy. Annual bonus targets are not disclosed on a forward-looking basis because they are considered by the Board to be commercially sensitive but will continue to be disclosed retrospectively to ensure transparency.

The Committee expects to make 2021 LTIP awards prior to the 2021 AGM in accordance with the 2020 Policy; awards will be at 160% of base salary in line with the explanation given on page 88. The 2021 LTIP awards will be measured against the following targets, each of which will operate on the basis of a straight line between threshold, target and stretch.

Performance condition	Weighting	Threshold (vesting 25%)	Maximum (Vesting 100%)
Absolute TSR Performance	½	30%	60%
Cumulative EPS Growth	¼	11.6%	14.1%
Net Revenue Growth	¼	45.1 pence	54.8 pence

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:

- Cathryn Riley (Chair)
- Richard Moat
- Deborah Davis
- Stuart Sinclair
- Dan O'Connor[1]

1. Dan O'Connor stepped down from the Committee and the Board at the conclusion of the 2020 AGM.

The Committee received assistance from the senior management group and Group Head of Reward. Other members of management may attend meetings by invitation except when matters relating to their own remuneration are being discussed.

Advisor to the committee

The Committee undertook a review during the year and determined to retain Willis Towers Watson, which was appointed in April 2016, as its advisor. During 2020, total fees in respect of advice to the Committee (based on time and materials) totalled £44,000 (excluding VAT). Willis Towers Watson is a founding member of the Remuneration Consultants Group and is a signatory to, and abides by, the Remuneration Consultants Group Code of Conduct. Further details can be found at www.remunerationconsultantsgroup.com. The Committee is satisfied that the advice it receives is objective and independent, and that Willis Towers Watson does not have any connections with the Company or any of the directors that may impair its independence.

Approved by the Board

Cathryn Riley
Chair

3 March 2021

Directors' responsibilities

Annual Report and Financial Statements

International Personal Finance plc presents its Annual Report and Financial Statements and its consolidated Annual Report and Financial Statements 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 Group and the Company and of the profit or loss of the Group and 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.

Post-balance sheet events and future developments

There are no post-balance sheet events. Information on indications of future developments is provided in the Strategic Report.

Responsibility statement under the Disclosure and Transparency Rules

Each of the persons who is a director at the date of approval of this report confirms to the best of his/her knowledge that:

- the Financial Statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and loss/profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and Directors' 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
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Report review process for Annual Report

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 is undertaken by the reporting team, leadership team and executive directors. In advance of final consideration by the Board, they are 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 and viability statement

The Board statement on its adoption of the going concern basis in preparing these Financial Statements and the viability statement concerning the assessment of the Company's long-term prospects is given on pages 36 and 57.

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 2020 to the date of this Annual Report and Financial Statements and is satisfied that they are effective.

By order of the Board

James Ormrod
Company Secretary

3 March 2021

Report on the audit of the Financial Statements

1. Opinion

In our opinion:

- the Financial Statements of International Personal Finance plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006, and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

2. 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 Group and the parent 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 (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Revenue recognition • Impairment of receivables • Going concern Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group Financial Statements was £4.9m which was determined on the basis of 1.3% of net assets.
Scoping	We focused our Group audit primarily on the key components based in seven locations, six of which were subject to a full audit, with the remaining subject to testing of specific balances.
Significant changes in our approach	There have been the following significant changes in our audit approach from the prior period: • The addition of a key audit matter for going concern; • The removal of a key audit matter around the Polish Debt Option agreement; and • A change in basis of materiality.

4. 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.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.3.

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 Group's and parent 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.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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.

5.1. Revenue recognition

Key audit matter description	The Group recognises revenue on loans using the effective interest rate ("EIR") method applicable under IFRS 9 Financial Instruments. This method involves the application of significant management judgement, in particular over ensuring that early redemptions experience and all contractual terms are reflected in management's calculation of the EIR for each product issued. Specifically, we identified a risk around the accuracy and completeness of cash flows included in management's calculation of the 'EIR' for each product, in order to ensure that evidence of early settlement behaviour – including early settlement rebates where applicable - had been appropriately considered. Additionally, we identified a risk that the standard methodology may need to be adjusted to account for the impact of Covid-19, particularly in relation to the staging of accounts and consistency with the IFRS 9 impairment modelling. The key audit matter is described further in the Audit and Risk Committee's report on page 80 and within the key sources of estimation uncertainty on page 121. The revenue balance for the period is disclosed in the consolidated income statement, and note 1 to the Financial Statements.
How the scope of our audit responded to the key audit matter	We tested the relevant controls to the revenue recognition cycle, including those performed in the component markets, to ensure that the cash flow data used in management's calculations is accurate and complete. We worked with our IT specialists to re-calculate a sample of product and cohort EIRs, based on an independent extract of source data from core lending systems, and tested the mechanical accuracy of models used by management. We assessed the appropriateness of management's key judgements used to calculate the EIR by reference to recently observable collections phasing and early redemption behaviour of the Group's loan portfolios. This included the methodology and judgement applied to account for the impact of Covid-19 on the staging of loans. We also assessed whether the revenue recognition policies applied to all material loan types offered by the Group were appropriate and in accordance with IFRS 9 and other applicable accounting standards.
Key observations	As a result of our audit testing, we found that the methodology used for calculating the EIRs is materially accurate and complete in the context of the Group's accounting policies and the requirements of the relevant accounting standards. We consider that the adjustment for the impact of Covid-19 is reasonable, and consistent with the treatment in the impairment model.

5.2. Impairment of receivables

Key audit matter description	Determination of impairment provisions against customer receivables is highly judgemental, requiring estimates to be made regarding the future losses that are expected to accrue on the Group's loan portfolios. Key judgements applied include determination of an individual loan's probability of default, exposure at default and loss given default. These estimates are based on a combination of historically observable collections performance and post model overlays made to account for emerging risks that are not yet fully observable in the Group's data. The emergence of Covid-19 during Q1 2020 has had a disruptive impact on all of the markets within which the Group operates, and therefore increased the reliance on post model overlays in this year. Management have calculated a specific overlay to model the expected credit losses as a result of Covid-19. We identified a key audit matter over the accuracy and completeness of post model overlays applied due to their reliance on management judgement, as well as their materiality to the Financial Statements of the Group. The key audit matter is described further in the Audit and Risk Committee's report on page 80 and within the key sources of estimation uncertainty on page 121. Please also see note 17 further information.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls performed at a Group-level in relation to the impairment cycle, and worked with our IT specialists to test the key automated controls in place. In addition, we tested the relevant controls performed in the component markets to ensure that the cash flow data used within management's calculations was accurate and complete. Where necessary, we tested the completeness and accuracy of information used in relevant lending controls, which included extraction of source data from the core lending systems used and independent re-calculation of the relevant information. We also worked with our IT specialists to test the key IT controls over the systems in which source customer receivable data is maintained, and reviewed minutes to confirm the existence of key governance review controls. We reviewed and challenged management's impairment provisioning methodology against the requirements of IFRS 9, and assessed whether management's approach was materially consistent with those applied by other similar financial institutions. We evaluated the appropriateness of the probability of default, exposure at default, and loss given default assumptions used with reference to our understanding of recently observable collections performance. We also challenged the appropriateness of using historical data to predict future collections performance, with reference to our understanding of internal and external factors affecting the Group's businesses. We tested a sample of these assumptions from independent extracts of customer receivable data and re-performed the year-end impairment calculations on a sample basis to confirm the mechanical accuracy of management's calculations. Finally, we reviewed and challenged the completeness and accuracy of management's provisioning overlays, with reference to analysis of recent collections performance, other identified impairment risks and analysis of internal and external data for each of the Group's material markets. This included working with internal credit specialists in the challenge of the Covid-19 specific overlay, performing sensitivity analysis to challenge the reasonableness of Management's judgements, producing independent estimates using alternative data sets and professional judgement and considered the Group's assessment of future legal and regulatory risks and how these might impact collections.
Key observations	As a result of our testing, we found that the impairment methodology applied by management was reasonable and that the assumptions used in the calculations performed were appropriately applied. We concluded that the rationale for post model overlays proposed by management was appropriate, and that the valuation and disclosed sensitivities on page 122 are reasonable.

5.3. Going concern

Key audit matter description	The emergence of Covid-19 during Q1 2020, in addition to the responses taken by organisations and governments to control the spread of the virus, has had a significant disruptive impact on the Group's operations in each of its overseas territories. We note that the Group's ability to continue as a going concern is dependent on its ability to service existing debt commitments. This is reliant upon the cash flows generated from the IPF Digital and Home Collect Credit businesses, the future of which are subject to continual challenge as a result of disruption to performance as a result of Covid-19. We therefore identified a key audit matter over the Group's ongoing ability to continue as a going concern, and the appropriateness of preparing the Financial Statements on this basis. The key audit matter is described further in the Audit and Risk Committee's report on page 80. Please also see page 36 for further information.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls performed at a Group-level in relation to the going concern and forecasting process. In addition, we tested the relevant controls performed in the component markets to ensure that the cash flow data used within management's forecasting is accurate and complete. We worked with our internal restructuring specialists regarding future requirements for refinancing, as well as assessing any covenant amendments or renegotiated terms granted during the period. We have reviewed the terms of the Group's financing arrangements, and challenged whether Management's forecasts could result in a breach of banking covenants in the future. We have challenged the completeness of the stress tests calculated by Management, and assessed the likelihood of the reverse stress test, resulting in covenant breaches, occurring within the going concern period. This included assessing the consistency of cash flow forecasts between the going concern assessment and the IFRS 9 impairment Covid-19 overlay. We also reviewed the disclosures in relation to going concern to assess their consistency with our understanding of the Group's forecast performance and position.
Key observations	We concur with management's assessment that the group is a going concern.

6. Our application of materiality

6.1. Materiality

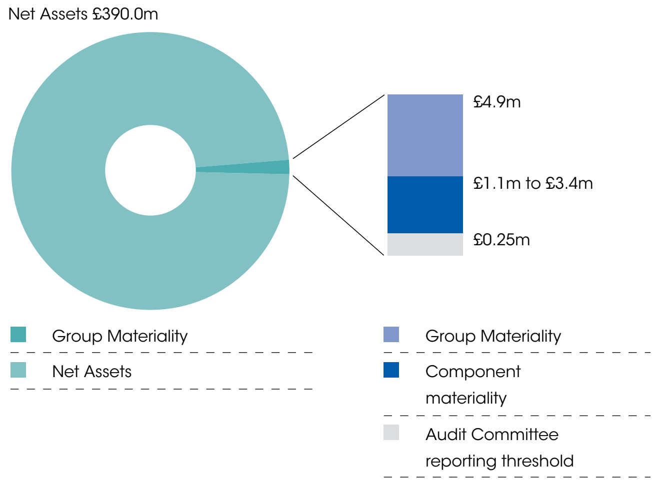
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
Materiality	£4,900,000 (2019: £5,600,000)	£2,450,000 (2019: £2,800,000)
Basis for determining materiality	1.3% of net assets at 31 December 2020 (2019: 5% of profit before tax).	Parent company materiality equates to 1% of net assets, which is capped at 50% of group materiality (2019: 3% of net assets, capped at 50% of Group materiality).
Rationale for the benchmark applied	Given the Group has reported a loss before tax for 2020, it is not appropriate to use this figure as a benchmark for materiality. We have determined net assets as the most appropriate benchmark. Given the volatility that has been experienced in the level of profitability in the period, we deem net assets to provide a more stable basis.	The main operations of the Parent Company are to obtain external finance, with the main balances being the investments held in its subsidiaries and the external loan balances. We have therefore selected net assets as the benchmark for determining materiality.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.



	Group Financial Statements	Parent Company Financial Statements
Performance materiality	65% (2019: 70%) of Group materiality	70% (2019: 70%) of parent company materiality
Basis and rationale for determining performance materiality	We have lowered our performance materiality % to 65% in the current period, to reflect the heightened risk of uncorrected and undetected misstatements due to the level of risk arising from the impact of Covid-19.	Given the nature of the parent company, we do not consider there to be an increased risk of uncorrected and undetected misstatements due to Covid-19. Therefore, we have set performance materiality to a consistent level with the previous year.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £245,000 (2019: £280,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

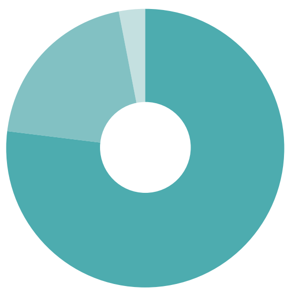
7. An overview of the scope of our audit

7.1. Identification and scoping of components

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 given locations, which were subject to a full audit, and one location which involved the testing of specific balances. The locations subject to a full audit were the components in Poland, Romania, Czech Republic, Hungary, Mexico and the UK, with a further six entities in Poland subject to specific balance testing. The scope of our audit was consistent with that from the prior period, with the exception of an increase in the scope of procedures performed in the Polish entities for testing specific balances, reflecting an increase in the size of that territory relative to the Group's operations.

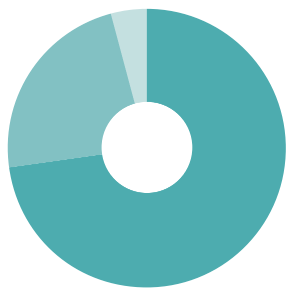
These twelve entities represent the principal business units of the Group, and account for 96% (2019: 97%) of the Group's net credit receivables, 97% (2019: 98%) of the Group's revenue and 97% (2019: 96%) of the Group's loss (2019: profit) before tax.

Revenue



Full audit scope	**77%**
Specified audit procedures	**20%**
Review at Group level	**3%**

Net credit receivables



Full audit scope	**73%**
Specified audit procedures	**23%**
Review at Group level	**4%**

7.2. Our consideration of the control environment

We worked with internal IT specialists to perform testing of relevant IT controls over all relevant systems to the financial reporting process, as well as the lending process, revenue recognition process and impairment process. Our component auditors also worked with local IT specialists to perform testing of the relevant IT controls over the data storage platform used in-market to record and administrate customer lending.

Our work in this area enabled us to place controls reliance over all identified relevant IT systems.

We also obtained an understanding of and tested manually operated controls performed at a Group level in relation to the impairment of receivables key audit matter, and tested relevant controls in place over the revenue recognition and customer lending cycles.

As a result of the controls work performed at both a group and component level, we were able to place controls reliance over both the revenue and gross carrying value of the customer receivables.

7.3. Working with other auditors

At the parent entity level we 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 closely monitor and liaise with all significant component audit teams. Due to Covid-19, we were unable to visit any of the significant components. We included the component audit partner and team in our team briefing, discussed their risk assessment, and reviewed documentation of the findings from their work. In addition, we held virtual meetings with component teams and with members of component management, and we reviewed component team working papers remotely.

8. Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. This includes the Chairman's Statement, the Chief Executive Officer's Review, the Strategic Report, Principal Risks and Uncertainties, the Directors' Report, the Corporate Governance Report, the Audit and Risk Committee Report, and the Directors' Remuneration Report. 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.

9. 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 Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. 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.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management , internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance ;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and impairment of receivables, due to the potential for management to manipulate highly judgemental assumptions, and agent cash balances due to the possibility of misappropriation of assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, and the London Stock Exchange Listing Rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Group's compliance with consumer credit regulatory regimes applicable to each of its significant territories.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition and impairment of receivables as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Group's regulators in each of its significant territories; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions 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.

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 Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 36;
- the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 57;
- the directors' statement on fair, balanced and understandable set out on page 83;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 48;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 81; and
- the section describing the work of the audit committee set out on pages 79 and 80.

14. Matters on which we are required to report by exception

14.1. 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.

14.2. 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 in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the members of International Personal Finance plc on 11 May 2011 to audit the Financial Statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 December 2011 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. 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

3 March 2021

Consolidated income statement for the year ended 31 December

Group	Notes	2020 Pre-exceptional items £m	2020 Exceptional items (note 10) £m	2020 £m	2019 £m
Revenue	1	661.3	-	661.3	889.1
Impairment	1	(247.6)	(2.5)	(250.1)	(243.5)
Revenue less impairment		413.7	(2.5)	411.2	645.6
Finance costs	2	(55.0)	8.2	(46.8)	(63.5)
Other operating costs		(108.7)	-	(108.7)	(137.3)
Administrative expenses		(278.8)	(17.6)	(296.4)	(330.8)
Total costs		(442.5)	(9.4)	(451.9)	(531.6)
(Loss)/profit before taxation	1	(28.8)	(11.9)	(40.7)	114.0
Tax income – UK		2.3	0.1	2.4	2.2
Tax (expense)/income – overseas		(26.8)	0.9	(25.9)	(44.4)
Total tax (expense)/income	5	(24.5)	1.0	(23.5)	(42.2)
(Loss)/profit after taxation attributable to owners of the Company		(53.3)	(10.9)	(64.2)	71.8

Group	Notes	2020 pence	2019 pence
(Loss)/earnings per share - statutory			
Basic	6	(28.9)	32.2
Diluted	6	(27.4)	30.3

Group	Notes	2020 pence	2019 pence
(Loss)/earnings per share – adjusted for exceptional items			
Basic	6	(24.0)	32.2
Diluted	6	(22.8)	30.3

See note 6 for further information on Earnings per share

Statements of comprehensive income for the year ended 31 December

		Group		Company	
		2020 £m	2019 £m	2020 £m	2019 £m
(Loss)/profit after taxation attributable to owners of the Company		(64.2)	71.8	181.7	(33.9)
Other comprehensive (expense)/income					
Items that may subsequently be reclassified to income statement					
Exchange losses on foreign currency translations		(4.1)	(42.2)	-	–
Net fair value gains/(losses) – cash flow hedges		1.3	0.6	-	(0.1)
Tax charge on items that may be reclassified	5	(0.3)	(0.1)	-	–
Items that will not subsequently be reclassified to income statement					
Actuarial losses on retirement benefit obligation	27	(1.4)	(1.7)	(1.4)	(1.7)
Tax credit on items that will not be reclassified	5	0.3	0.2	0.3	0.2
Other comprehensive expense net of taxation		(4.2)	(43.2)	(1.1)	(1.6)
Total comprehensive (expense)/income for the year attributable to owners of the Company		(68.4)	28.6	180.6	(35.5)

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

	Notes	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Assets					
Non-current assets					
Goodwill	11	**24.4**	23.1	**–**	–
Intangible assets	12	**30.2**	43.2	**–**	–
Investment in subsidiaries	13	**–**	–	**731.2**	729.9
Property, plant and equipment	14	**15.4**	20.0	**–**	–
Right-of-use assets	15	**17.5**	18.8	**–**	–
Amounts receivable from customers	17	**136.5**	245.3	**–**	–
Deferred tax assets	16	**135.7**	151.7	**–**	1.3
Non-current tax assets		**–**	34.2	**–**	–
Retirement benefit asset	27	**3.4**	3.4	**3.4**	3.4
		363.1	539.7	**734.6**	734.6
Current assets					
Amounts receivable from customers	17	**532.6**	728.3	**–**	–
Derivative financial instruments	23	**0.5**	0.3	**0.1**	–
Cash and cash equivalents	18	**116.3**	37.4	**65.1**	0.2
Other receivables	19	**9.9**	16.9	**581.9**	635.6
Current tax assets		**1.5**	0.1	**–**	0.4
		660.8	783.0	**647.1**	636.2
Total assets		**1,023.9**	1,322.7	**1,381.7**	1,370.8
Liabilities					
Current liabilities					
Borrowings	21	**(0.2)**	(112.7)	**–**	(48.6)
Derivative financial instruments	23	**(6.7)**	(16.2)	**–**	–
Trade and other payables	20	**(89.1)**	(123.9)	**(391.3)**	(474.9)
Provision for liabilities and charges	26	**(19.2)**	–	**–**	–
Lease liabilities	15	**(7.4)**	(8.7)	**–**	–
Current tax liabilities		**(13.4)**	(30.3)	**–**	–
		(136.0)	(291.8)	**(391.3)**	(523.5)
Non-current liabilities					
Deferred tax liabilities	16	**(13.8)**	(20.0)	**(0.2)**	(0.7)
Borrowings	21	**(491.8)**	(563.7)	**(415.9)**	(455.4)
Lease liabilities	15	**(11.8)**	(10.8)	**–**	–
		(517.4)	(594.5)	**(416.1)**	(456.1)
Total liabilities		**(653.4)**	(886.3)	**(807.4)**	(979.6)
Net assets		**370.5**	436.4	**574.3**	391.2
Equity attributable to owners of the Company					
Called-up share capital	29	**23.4**	23.4	**23.4**	23.4
Other reserve		**(22.5)**	(22.5)	**226.3**	226.3
Foreign exchange reserve		**5.0**	9.1	**–**	–
Hedging reserve		**0.9**	(0.1)	**–**	–
Own shares		**(45.2)**	(46.1)	**(45.2)**	(46.1)
Capital redemption reserve		**2.3**	2.3	**2.3**	2.3
Retained earnings		**406.6**	470.3	**367.5**	185.3
Total equity		**370.5**	436.4	**574.3**	391.2

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

The profit after taxation of the Parent Company for the period was £181.7 million (2019: loss of £33.9 million).

The Financial Statements of International Personal Finance plc, registration number 6018973 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 3 March 2021 and were signed on its behalf by:

Gerard Ryan
Chief Executive Officer

Justin Lockwood
Chief Financial Officer

Group – Attributable to owners of the Company	Notes	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 2019 as originally presented		23.4	(22.5)	51.3	(0.6)	(45.1)	2.3	424.2	433.0
Comprehensive income									
Profit after taxation for the year		–	–	–	–	–	–	71.8	71.8
Other comprehensive (expense)/income									
Exchange losses on foreign currency translation		–	–	(42.2)	–	–	–	–	(42.2)
Net fair value gains – cash flow hedges		–	–	–	0.6	–	–	–	0.6
Actuarial loss on retirement benefit obligation	27	–	–	–	–	–	–	(1.7)	(1.7)
Tax (charge)/credit on other comprehensive income	5	–	–	–	(0.1)	–	–	0.2	0.1
Total other comprehensive (expense)/income		–	–	(42.2)	0.5	–	–	(1.5)	(43.2)
Total comprehensive (expense)/income for the year		–	–	(42.2)	0.5	–	–	70.3	28.6
Transactions with owners									
Share-based payment adjustment to reserves		–	–	–	–	–	–	4.6	4.6
Shares acquired by employee trust		–	–	–	–	(2.1)	–	–	(2.1)
Shares granted from treasury and employee trust		–	–	–	–	1.1	–	(1.1)	–
Dividends paid to Company shareholders	7	–	–	–	–	–	–	(27.7)	(27.7)
At 31 December 2019		23.4	(22.5)	9.1	(0.1)	(46.1)	2.3	470.3	436.4
At 1 January 2020		**23.4**	**(22.5)**	**9.1**	**(0.1)**	**(46.1)**	**2.3**	**470.3**	**436.4**
Comprehensive income									
Loss after taxation for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(64.2)**	**(64.2)**
Other comprehensive (expense)/income									
Exchange losses on foreign currency translation		**–**	**–**	**(4.1)**	**–**	**–**	**–**	**–**	**(4.1)**
Net fair value gains – cash flow hedges		**–**	**–**	**–**	**1.3**	**–**	**–**	**–**	**1.3**
Actuarial loss on retirement benefit obligation	27	**–**	**–**	**–**	**–**	**–**	**–**	**(1.4)**	**(1.4)**
Tax (charge)/credit on other comprehensive income	5	**–**	**–**	**–**	**(0.3)**	**–**	**–**	**0.3**	**–**
Total other comprehensive (expense)/income		**–**	**–**	**(4.1)**	**1.0**	**–**	**–**	**(1.1)**	**(4.2)**
Total comprehensive (expense)/income for the year		**–**	**–**	**(4.1)**	**1.0**	**–**	**–**	**(65.3)**	**(68.4)**
Transactions with owners									
Share-based payment adjustment to reserves		**–**	**–**	**–**	**–**	**–**	**–**	**2.5**	**2.5**
Shares granted from treasury and employee trust		**–**	**–**	**–**	**–**	**0.9**	**–**	**(0.9)**	**–**
At 31 December 2020		**23.4**	**(22.5)**	**5.0**	**0.9**	**(45.2)**	**2.3**	**406.6**	**370.5**

Company – Attributable to owners of the Company	Notes	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 2019		23.4	226.3	0.1	(45.1)	2.3	244.9	451.9
Comprehensive income								
Loss after taxation for the year		–	–	–	–	–	(33.9)	(33.9)
Other comprehensive (expense)/income								
Net fair value losses – cash flow hedges		–	–	(0.1)	–	–	–	(0.1)
Actuarial loss on retirement benefit obligation	27	–	–	–	–	–	(1.7)	(1.7)
Tax credit on other comprehensive income	5	–	–	–	–	–	0.2	0.2
Total other comprehensive expense		–	–	(0.1)	–	–	(1.5)	(1.6)
Total comprehensive expense for the year		–	–	(0.1)	–	–	(35.4)	(35.5)
Transactions with owners								
Share-based payment adjustment to reserves		–	–	–	–	–	4.6	4.6
Shares acquired by employee trust		–	–	–	(2.1)	–	–	(2.1)
Shares granted from treasury and employee trust		–	–	–	1.1	–	(1.1)	–
Dividends paid to Company shareholders	7	–	–	–	–	–	(27.7)	(27.7)
At 31 December 2019		23.4	226.3	–	(46.1)	2.3	185.3	391.2
At 1 January 2020		**23.4**	**226.3**	**–**	**(46.1)**	**2.3**	**185.3**	**391.2**
Comprehensive income								
Profit after taxation for the year		**–**	**–**	**–**	**–**	**–**	**181.7**	**181.7**
Other comprehensive (expense)/income								
Actuarial loss on retirement benefit obligation	27	**–**	**–**	**–**	**–**	**–**	**(1.4)**	**(1.4)**
Tax credit on other comprehensive income	5	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Total other comprehensive expense		**–**	**–**	**–**	**–**	**–**	**(1.1)**	**(1.1)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**180.6**	**180.6**
Transactions with owners								
Share-based payment adjustment to reserves		**–**	**–**	**–**	**–**	**–**	**2.5**	**2.5**
Shares granted from treasury and employee trust		**–**	**–**	**–**	**0.9**	**–**	**(0.9)**	**–**
At 31 December 2020		**23.4**	**226.3**	**–**	**(45.2)**	**2.3**	**367.5**	**574.3**

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

	Notes	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Cash flows from operating activities					
Cash generated from operating activities	30	**329.8**	169.2	**189.5**	81.1
Finance costs paid		**(54.7)**	(64.0)	**(76.2)**	(59.9)
Finance income received		**9.9**	–	**35.4**	34.9
Income tax paid		**(1.4)**	(41.0)	**(0.3)**	(1.7)
Net cash generated from operating activities		**283.6**	64.2	**148.4**	54.4
Cash flows from investing activities					
Purchases of property, plant and equipment	14	**(3.8)**	(10.2)	**–**	–
Proceeds from sale of property, plant and equipment		**0.4**	0.2	**–**	–
Purchases of intangible assets	12	**(11.7)**	(21.2)	**–**	–
Net cash used in investing activities		**(15.1)**	(31.2)	**–**	–
Net cash generated from operating and investing activities		**268.5**	33.0	**148.4**	54.4
Cash flows from financing activities					
Proceeds from borrowings		**311.3**	119.9	**305.9**	79.2
Repayment of borrowings		**(490.0)**	(120.3)	**(389.4)**	(103.7)
Principal elements of lease payments		**(10.9)**	(9.9)	**–**	–
Dividends paid to Company shareholders	7	**–**	(27.7)	**–**	(27.7)
Shares acquired by employee trust		**–**	(2.1)	**–**	(2.1)
Net cash used in financing activities		**(189.6)**	(40.1)	**(83.5)**	(54.3)
Net increase/(decrease) in cash and cash equivalents		**78.9**	(7.1)	**64.9**	0.1
Cash and cash equivalents at beginning of year		**37.4**	46.6	**0.2**	0.1
Exchange losses on cash and cash equivalents		**–**	(2.1)	**–**	–
Cash and cash equivalents at end of year	18	**116.3**	37.4	**65.1**	0.2
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand	18	**116.3**	37.4	**65.1**	0.2

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

General information

International Personal Finance plc (the Company) is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office is shown on the back cover of this Annual Report and Financial Statements.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic Report on page 3.

These Financial Statements are presented in sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are set out in accordance with the policies set out on page 119.

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 2020 but do not have any material impact on the Group:

- Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7;
- Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 Definition of a business; and
- Amendments to IAS 1 and IAS 8 Definition of material.

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

- IFRS 17 'Insurance contracts';
- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture';
- Amendments to IFRS 3 'Reference to the Conceptual Framework';
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current';
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract';
- Annual Improvements to IFRS Standards 2018-2020 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.

Alternative Performance Measures

In reporting financial information, the Group presents alternative performance measures, 'APMs' which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

Each of the APMs, used by the Group are set out on pages 154-157 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

The Group reports percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, after restating prior year figures at a constant exchange rate. The constant exchange rate, which is an APM, retranslates the previous year measures at the average actual periodic exchange rates used in the current financial year. These measures are presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory measures in order to derive APMs where relevant. The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group.

Basis of preparation

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 (12 months from the date of this report). 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 36.

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated on consolidation.

The accounting policies of the subsidiaries are consistent with the accounting policies of the Group.

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. Finance costs also include interest expenses on lease liabilities as required under IFRS 16.

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 – European home credit, Mexico home credit and IPF Digital. 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 effective interest rate ('EIR'). All fees, being interest and non-interest fees are included within the EIR calculation. The EIR is calculated reflecting all contractual terms using estimated cash flows, being contractual payments adjusted for the impact of customers paying early.

Directly attributable issue costs are also taken into account in calculating the EIR. Interest income is accrued on all receivables using the original EIR applied to the loan's carrying value. Revenue is calculated using the EIR on the gross receivable balance for loans in stages 1 and 2. For loans in stage 3, the calculation is applied to the net receivable from the start of the next reporting period after the loan entered stage 3. Revenue is capped at the amount of interest fees charged.

Commissions in respect of insurance products intermediated by the Group are recognised when the underlying insurance is sold (alongside a loan agreement) if no further service obligations are identified. These commission amounts do not make up a significant part of the revenue of the Group. The insurance premium payable by the customer is capitalised alongside the customer loan receivable and both are accounted for on an amortised cost basis.

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

Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence and which the directors consider should be disclosed separately to enable a full understanding of the Group's underlying results.

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 at the grant date, 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, the fair value of providing share-based payments to employees of subsidiary companies is treated as an increase in the investment in subsidiaries.

Financial instruments

Classification and measurement

Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). Equity instruments in the scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

There is no impact on the classification and measurement of the following financial assets held by the Group: derivative financial instruments; cash and cash equivalents; other receivables and current tax assets.

There is no change in the accounting for any financial liabilities.

Hedge accounting

On initial application of IFRS 9, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group has elected to apply the IAS 39 hedge accounting requirements.

Amounts receivable from customers

Amounts receivable from customers are measured at amortised cost under IFRS 9.

Impairment

The impairment model under IFRS 9 reflects expected credit losses. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date. The new impairment model will apply to the Group's financial assets that are measured at amortised cost, namely amounts receivable from customers.

Forward-looking information

Under IFRS 9 macroeconomic overlays are required to include forward-looking information when calculating expected credit losses. The short-term nature of our lending means that the portfolio turns over quickly, and as a result, any changes in the macroeconomic environment will have very little impact on our amounts receivable from customers.

Where extreme macroeconomic scenarios are experienced, we will use management judgement to identify, quantify and apply any required approach.

We have calculated probability of default (PD); loss given default (LGD) and cash flow projections based on the most recent collections performance, including management overlays where we deem that historic performance is not representative of future collections performance.

In some markets, the most recent impairment parameters are not considered to be representative of expected future performance due to changes in operational performance. This is particularly the case in 2020 due to the impact of Covid-19 on the Group's operations and it's impairment charge (see pages 33 and 34 for more details). Therefore an overlay has been applied to increase certain parameters at both 31 December 2019 and 31 December 2020.

See page 122 for key sources of estimation uncertainty on amounts receivable from customers in relation to Covid-19.

Other receivables

Every year we will assess other receivables, including amounts due from Group undertakings, for any evidence of impairment.

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 and we do not expect there to be any sources of hedge ineffectiveness.

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 through profit or loss (EVTPL) 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 recognised initially as an asset at cost and is measured subsequently 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 not amortised but is tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Impairment is tested by comparing the carrying value of goodwill to the net present value of latest forecast cash flows from the legacy MCB Finance business cash generating unit. 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. 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.

Intangible assets are amortised (within administrative expenses) on a straight-line basis over their estimated useful economic lives which are five years. The residual values and economic lives are reviewed by management at each balance sheet date, and any shortfall recognised through the profit and loss account.

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 attributable directly 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	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

International Personal Finance 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 an entity'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 the tax currently payable and deferred tax.

The Group has adopted IFRIC 23. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group; and to assess whether it is probable that a tax authority will accept an uncertain tax treatment used/proposed by the entity in its income tax filings. If this is deemed to be the case, the Group should determine its accounting tax position with the treatment used/proposed in its income tax filings. If this is not deemed to be the case, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Taxation continued

Deferred tax

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 liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the foreseeable future to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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. As there are no working employees that are members of the defined benefit pension scheme, there are no current service costs. 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.

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.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Consolidated Financial Statements requires the Group to make estimates and judgements that affect the application of policies and reported accounts.

Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make estimations that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Revenue recognition

The estimate used 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. Based on a 3% variation in the EIR, it is estimated that the amounts receivable from customers would be higher/lower by £7.7 million (2019: £12.1 million). This sensitivity is based on historic fluctuations in EIRs.

Amounts receivable from customers

The Group reviews its portfolio of customer loans and receivables for impairment on a weekly or monthly basis. The Group reviews the most recent collections performance to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows. For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into stages based on days past due as this is considered to be the most reliable predictor of future payment performance. The level of impairment is calculated using historical payment performance to generate both the estimated expected loss and also the timing of future cash flows for each agreement. The expected loss is calculated using probability of default ('PD') and loss given default ('LGD') parameters.

The application of IFRS 9 to the effects of Covid-19 had a significant impact on the Group's impairment accounting and charge in 2020, and our post model overlays (PMOs) have been prepared to ensure that the impacts of the pandemic are included within the Group's impairment provisions, see below for further details. Impairment on lending from June 2020 onwards has been recorded using our standard impairment accounting models without applying these overlays due to the reduction in operational disruption and the tightened credit settings on new lending.

Impairment models are monitored regularly to test their continued capability to predict the timing and quantum of customer repayments in the context of the recent customer payment performance. The models used typically have a strong predictive capability reflecting the relatively stable nature of the business and therefore the actual performance does not usually vary significantly from the estimated performance. The models are ordinarily updated at least twice per year. Data that would normally be included within the periodic update this year contains Covid-19 data. This includes data from when there were restrictions on movements of agents and customers together with data driven by the tighter credit settings that were put in place as part of the Group's pandemic response strategy. This data is not considered to be representative of the expected future performance and therefore we have excluded it from our periodic update.

On the basis that the payment performance of customers could be different from the assumptions used in estimating expected losses and the future cash flows, an adjustment to the amounts receivable from customers may be required. A 5% increase/decrease in expected loss parameters would be a decrease/increase in amounts receivable from customers of £4.5 million. This level of estimated impact is based on historic fluctuations in performance compared to the models and is subject to impairment overlay provisions.

Key sources of estimation uncertainty continued

Covid-19 post model overlay (PMO) on amounts receivable from customers

As discussed on page 33 of this report, Covid-19 had a significant impact on our businesses in 2020. Government imposed restrictions on the freedom of movement and the introduction of debt repayment moratoria, together with the economic impact of the pandemic on our customers, had a significant adverse impact on collection cash flows in all our businesses. These events are unprecedented and, as a consequence, we have reviewed our impairment modelling under IFRS 9 to identify risks that are not fully reflected in the standard impairment models. This included a full assessment of expected credit losses, including a forward-looking assessment of expected collection cash flows. As a result, for home credit lending issued before June 2020 and IPF Digital lending, we have prepared post model overlays (PMOs) to our impairment models in order to calculate the expected impact of the pandemic on the Group's impairment provisions. Based on management's current expectations, the impact of these PMOs was to increase impairment provisions at 31 December 2020 by £38.7 million as set out below.

	ECL £m	Discounting £m	Total £m
Home credit	**(17.1)**	**(16.4)**	**(33.5)**
IPF Digital	**(5.2)**	**-**	**(5.2)**
Total	**(22.3)**	**(16.4)**	**(38.7)**

Expected credit loss ('ECL')

Missed collections as a result of government imposed restrictions on the freedom of movement and the introduction of debt repayment moratoria is not considered to be an indicator of a significant increase in credit risk (SICR). However, our impairment models cannot distinguish between a missed payment arising from these factors and a missed payment arising from a customer not making a payment. Therefore we have reduced the modelled ECL based on historic customer roll rates before calculating the increase in ECL arising from the pandemic. This latter assessment is based on estimated future repayment patterns on a market by market basis, taking into account operational disruption, debt repayment moratoria and the expected recessionary impact. We then assessed the extent to which the reduction in cash flows is likely to be permanent or temporary. The estimated permanent difference in cashflows has been recorded as an increase of £17.1 million in ECL in the Group's home credit businesses as a Covid-19 PMO.

In our digital businesses, in line with our home credit markets, we have reviewed the expected recessionary impact of the pandemic on our customers' debt repayment capacity. We used this information to calculate the increased probability of customers defaulting. The estimated increase in PD has been included as a £5.2 million Covid-19 PMO.

Discounting

We expect temporary missed repayments in our home credit businesses to be repaid at the end of the credit agreement, rather than at the point when agent service is resumed. The charges for lending are largely fixed and therefore these delayed cash flows have been discounted using the effective interest rate to arrive at a net present value. This results in an additional impairment provision of £16.4 million that is expected to unwind during the next 12 months as the temporary missed collections are collected from customers.

We have performed analysis on the ECL and discounting Covid-19 PMOs to show the estimated variation to amounts receivable from customers as a result of the key variables influencing ECL (namely operational disruption, repayment moratoria and recessionary) being different to management's current expectations based on the following collection scenarios:

- ECL – variations in the key variables resulting in a 3% increase/decrease in the ECL would result in an increase/decrease in the Covid-19 PMO of £9.3 million.
- Discounting - temporary missed repayments in home credit, that are assumed to be repaid at the end of the loan, being received three months later/earlier than forecast would result in an increase/decrease in the Covid-19 PMO of £7.2 million.

These variations reflects management's current assessment of a reasonable range of outcomes from the actual collections performance.

Polish early settlement rebates

The Regulatory update section of this report (page 27) sets out details of a comprehensive review being conducted by UOKiK, the Polish competition and consumer protection authority, of rebating practices by banks and other consumer credit providers on early loan settlement, including those of the Group's Polish businesses. We reviewed the likelihood of the resolution of this matter resulting in higher early settlement rebates being payable to customers that settled their agreements early before the balance sheet date. A number of risks and uncertainties remain, in particular with respect to future claims volumes relating to historic rebates paid and the nature of any customer contact exercise required. The total amount provided of £17.6 million (31 December 2019: £4.0 million) represents the Group's best estimate of the likely future cost of increasing historic customer rebates, based on its current strategy to achieve resolution. Whilst the volume of claims could differ from the estimates, the Group's expectation at this stage is that claims rates are unlikely to be more than 25% higher than the assumed rate.

Claims management charges in Spain

The operational review section of this report in relation to IPF Digital's New markets (page 31) makes reference to revenue contraction resulting from higher levels of claims management charges in Spain. We reviewed the charges by reference to the claims incidence experience and average cost of resolution in the Spanish business. The provision recorded of £8.0 million (split £6.4 million against receivables and £1.6 million in provisions) represent the Group's best estimate of future claims volumes and the cost of their management, based on current claims management methodology, together with current and future product plans. Whilst the future claims incidence and cost of management could differ from estimates, the Group's expectation at this stage is that overall costs are unlikely to be more than 25% higher than those assumed in the charges.

Investment in subsidiaries

During the year, as a result of the Group net asset position and the market capitalisation of the Company being lower than the carrying value of the investment in subsidiaries, we carried out a review of the recoverable amount of the carrying value of the investment. This review entails comparing the investments value to the net present value of latest forecast cash flows from the operating businesses. This review confirmed that no impairment of the investment is required. A shortfall in profitability compared to current expectations may result in future adjustments to investments in subsidiary balances.

Tax

Estimations must be exercised in the calculation of the Group's tax provision, in particular with regard to the existence and extent of tax risks. This exercise of estimation with regards to the EU State Aid investigation, which is disclosed in note 32, could have a significant effect on the Financial Statements, as there are significant uncertainties in relation to the amount and timing of associated cash flows.

Deferred tax assets arise from timing differences between the accounting and tax treatment of revenue and impairment transactions and tax losses. Estimations must be made regarding the extent to which timing differences reverse and an assessment must be made of the extent to which future profits will be generated to absorb tax losses. A shortfall in profitability compared to current expectations may result in future adjustments to deferred tax asset balances

Critical accounting judgements

Accounting judgements have been made over whether the EU State Aid investigation requires a provision or disclosure as a contingent liability, see above for further details.

1. Segment analysis

Group	Revenue 2020 £m	Revenue 2019 £m	Impairment 2020 £m	Impairment 2019 £m	(Loss)/profit before taxation 2020 £m	(Loss)/profit before taxation 2019 £m
European home credit	363.4	452.2	132.3	56.0	(13.6)	115.1
Mexico home credit	157.1	247.6	53.0	102.3	3.5	10.5
Digital	140.8	189.3	62.3	85.2	(6.0)	3.2
UK costs*	–	–	–	–	(12.7)	(14.8)
Total – pre-exceptional items	661.3	889.1	247.6	243.5	(28.8)	114.0
Exceptional items	–	–	2.5	–	(11.9)	–
Total	661.3	889.1	250.1	243.5	(40.7)	114.0

* 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 2020 £m	Segment assets 2019 £m	Segment liabilities 2020 £m	Segment liabilities 2019 £m
European home credit	507.0	710.0	275.7	297.2
Mexico home credit	170.2	230.3	76.2	147.0
Digital	202.5	314.9	138.4	225.8
UK	144.2	67.5	163.1	216.3
Total	1,023.9	1,322.7	653.4	886.3

Group	Capital expenditure 2020 £m	Capital expenditure 2019 £m	Depreciation 2020 £m	Depreciation 2019 £m
European home credit	3.0	7.5	5.0	5.4
Mexico home credit	0.5	1.8	1.4	2.1
Digital	0.3	0.9	0.6	0.4
UK	–	–	0.2	0.6
Total	3.8	10.2	7.2	8.5

Group	Expenditure on intangible assets 2020 £m	Expenditure on intangible assets 2019 £m	Amortisation 2020 £m	Amortisation 2019 £m
European home credit	–	–	–	–
Mexico home credit	–	–	–	–
Digital	4.8	12.8	15.9	5.7
UK	6.9	8.4	10.0	9.1
Total	11.7	21.2	25.9	14.8

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 £661.3 million (2019: £889.1 million) and the breakdown by segment is disclosed above.

As set out in the accounting policy note, the receivables portfolio is valued based on expected cash flows discounted at the effective interest rate.

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £22.7 million (2019: £27.1 million), and the total of non-current assets located in other countries is £204.7 million (2019: £360.9 million).

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

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.

2. Finance costs

Group	2020 £m	2019 £m
Interest payable on borrowings	55.2	62.0
Interest payable on lease liabilities	1.5	1.5
Interest income	(9.9)	–
Finance costs	46.8	63.5

Interest income was received in respect of the successful appeal against the 2008 and 2009 tax decisions (see page 35 for further details), £8.2 million of this income, which relates to the period from January 2017 to December 2019 has been treated as an exceptional item (see note 10 for further details).

3. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging:

Group	2020 £m	2019 £m
Depreciation of property, plant and equipment (note 14)	7.2	8.5
Depreciation of right-of-use assets (note 15)	9.9	9.1
Impairment of right-of use assets (note 15)	0.5	–
Loss on disposal of property, plant and equipment	0.2	0.5
Amortisation of intangible assets (note 12)	25.9	14.8
Employee costs (note 9)	171.8	200.9

£8.1 million of amortisation of intangible assets is accelerated amortisation relating to the decision to close our business in Finland, this has been treated as an exceptional item (see note 10 for further details).

4. Auditor's remuneration

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

Group	2020 £m	2019 £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	0.9	0.8
– other assurance services	0.1	0.1

Further details on auditor remuneration can be found in the Audit and Risk Committee Report on page 82.

5. Tax expense

Group	2020 £m	2019 £m
Current tax expense	20.0	49.7
Deferred tax expense/(income) (note 16)		
– current year	4.9	(4.7)
– prior year	(0.4)	(2.8)
	4.5	(7.5)
Pre-exceptional tax expense	24.5	42.2
Exceptional tax credit	(1.0)	–
Total tax expense	**23.5**	42.2

Further information regarding the deferred tax (income)/expense is shown in note 16, and primarily relates to timing differences in respect of revenue and impairment and tax losses.

The taxation charge on the post-exceptional loss for 2020 is £23.5 million representing an effective tax rate for the year of negative 58% (2019: an effective tax rate of 37%). The pre-exceptional tax charge of £24.5 million for 2020 represents an effective tax rate of negative 85%.

Tax paid in the cash flow statement is net of £35.1 million repaid in respect of the successful appeal against the 2008 and 2009 Tax decisions (see page 35 for further details).

5. Tax expense continued

Group	2020 £m	2019 £m
Tax (charge)/credit on other comprehensive income		
Deferred tax charge on net fair value gains/losses – cash flow hedges	(0.3)	(0.1)
Deferred tax credit on actuarial gains on retirement benefit asset	0.3	0.2
	–	0.1

The rate of tax expense on the profit before taxation for the year ended 31 December 2020 is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained as follows:

Group	2020 £m	2019 £m
(Loss)/profit before taxation	(28.8)	114.0
(Loss)/profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	(5.5)	21.7
Effects of:		
– adjustment in respect of prior years	(0.7)	2.8
– adjustment in respect of foreign tax rates	6.8	1.0
– non-deductible bad debt expense	13.0	16.6
– other expenses not deductible for tax purposes	(1.9)	0.2
– change in unrecognised deferred tax assets	12.2	(0.1)
– impact of UK rate change on deferred tax asset / liability	0.6	–
Pre-exceptional tax expense	24.5	42.2
Exceptional tax credit	(1.0)	–
Total tax expense	**23.5**	**42.2**

The Group is subject to a tax audit in Mexico (regarding 2017). The Polish tax audit in respect of 2008 and 2009 was successfully concluded in the period with further details set out on page 35.

6. (Loss)/earnings per share

Basic (loss)/earnings per share ('(L)/EPS') is calculated by dividing the loss attributable to shareholders of £(64.2) million (2019: earnings of £71.8 million) by the weighted average number of shares in issue during the period of 222.4 million (2019: 223.1 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	2020 £m	2019 £m
Used in basic (L)/EPS calculation	222.4	223.1
Dilutive effect of awards	11.7	14.0
Used in diluted (L)/EPS calculation	**234.1**	**237.1**

Basic and diluted (L)/EPS are presented below:

Group	2020 pence	2019 pence
Basic (L)/EPS	(28.9)	32.2
Dilutive effect of awards	1.5	(1.9)
Diluted (L)/EPS	**(27.4)**	**30.3**

7. Dividends

Group and Company	2020 £m	2019 £m
Interim dividend of nil pence per share (2019: interim dividend of 4.6 pence per share)	–	10.3
Final 2019 dividend of nil pence per share (2019: final 2018 dividend of 7.8 pence per share)	–	17.4
	–	27.7

The Board considered the financial performance in 2020 and concluded that it is not appropriate to propose a final dividend; however, it remains committed to paying a progressive dividend in the future. The Board will review dividend payments regularly, taking into account the financial performance and financial position of the Group and we intend to recommence dividend payments as soon as circumstances permit. (2019: full-year dividend 12.4 pence per share).

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.

	2020 £m	2019 £m
Short-term employee benefits	3.9	4.3
Post-employment benefits	0.1	0.1
Share-based payments	0.2	0.2
Total	4.2	4.6

Short-term employee benefits comprise salary/fees and benefits earned in the year.

Post-employment benefits represent the sum of contributions into the Group's stakeholder pension scheme and personal pension arrangements.

For gains arising on executive directors' share options see page 98.

Disclosures in respect of the Group's directors are included in the Directors' Remuneration Report.

9. Employee information

The average full-time equivalent of people employed by the Group (including executive directors) was as follows:

Group	2020 Number	2019 Number
Full-time*	6,482	7,246
Part-time**	1,647	1,726
	8,129	8,972

* Includes 712 agents in Hungary and Romania (2019: includes 667 agents in Hungary and Romania).

** Includes 1,385 agents in Hungary and Romania (2019: includes 1,416 agents in Hungary and Romania).

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

The average number of employees by category was as follows:

Group	2020 Number	2019 Number
Operations	4,749	5,183
Administration	591	743
Head office and loss prevention	2,789	3,046
	8,129	8,972

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

Group	2020 £m	2019 £m
Gross wages and salaries	144.8	167.4
Social security costs	25.6	30.2
Pension charge – defined contribution schemes (note 27)	0.8	0.9
Pension credit – defined benefit schemes (note 27)	(0.5)	–
Share-based payment charge (note 28)	1.1	2.4
Total	171.8	200.9

10. Exceptional items

The income statement includes a net exceptional loss of £10.9 million which comprises a pre-tax exceptional loss of £11.9 million and an exceptional tax credit of £1.0 million.

Group	Pre-tax £m	Tax £m	Post-tax £m
Finland closure	**(10.6)**	**(1.1)**	**(11.7)**
Restructuring costs	**(9.5)**	**2.1**	**(7.4)**
Interest income	**8.2**	**-**	**8.2**
Total	**(11.9)**	**1.0**	**(10.9)**

The decision to close our business in Finland and to collect out the portfolio following a tightening of the rate cap resulted in a loss of £11.7 million. It comprises a £10.6 million charge against loss before tax and the write-off of a deferred tax asset of £1.1 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 of collections of £2.5 million and £8.1 million from accelerated amortisation of intangible assets. The restructuring charge of £9.5 million arose in connection with rightsizing exercises that were conducted in 2020 and there is an associated tax credit of £2.1 million relating to this item. In addition, the profit and loss account includes exceptional non-taxable interest income of £8.2 million, relating to the interest accrued for the period up to 31 December 2019 on the payments to the Polish tax authority made in January 2017 in respect of the 2008 and 2009 cases which were refunded in 2020 (see page 35 for further details).

11. Goodwill

Group	2020 £m	2019 £m
Net book value		
At 1 January	**23.1**	24.5
Exchange adjustments	**1.3**	(1.4)
At 31 December	**24.4**	23.1

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and growth rates adopted. We adopt discount rates which reflect the time value of money and the risks specific to the legacy MCB business. The cash flow forecasts are based on the most recent financial budgets approved by the Board which includes our best estimates of the impact of Covid-19 and include the decision to collect out the Finnish business. The rate used to discount the forecast cash flows is 10% (2019: 9%). The discount rate would need to increase to 16% before indicating that part of the goodwill may be impaired.

12. Intangible assets

Group	2020 £m	2019 £m
Net book value		
At 1 January	**43.2**	38.0
Additions	**11.7**	21.2
Amortisation	**(25.9)**	(14.8)
Exchange adjustments	**1.2**	(1.2)
At 31 December	**30.2**	43.2
Analysed as:		
– cost	**117.4**	124.3
– amortisation	**(87.2)**	(81.1)
At 31 December	**30.2**	43.2

Intangible assets comprise computer software and are a mixture of self-developed and purchased assets. All purchased assets have had further capitalised development on them, meaning it is not possible to disaggregate fully between the relevant intangible categories.

£8.1 million of amortisation of intangible assets is accelerated amortisation relating to the decision to close our business in Finland, this has been treated as an exceptional item (see note 10 for further details).

The Company has no intangible assets.

13. Investment in subsidiaries

Company	2020 £m	2019 £m
Investment in subsidiaries	**712.3**	712.3
Share-based payment adjustment	**18.9**	17.6
	731.2	729.9

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. On 6 February 2015 the Group acquired 100% of the issued share capital of MCB Finance Group plc ('MCB') for a cash consideration of £23.2 million. Subsequent to this, during 2017, a further £25.5m investment was made in these acquired businesses.

A further £18.9 million (2019: £17.6 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.

During the year, as a result of the Group net asset position and the market capitalisation of the Company being lower than the carrying value of the investment in subsidiaries, we carried out a review of the recoverable amount of the carrying value of the investment. This review entails comparing the investments value to the net present value of latest forecast cash flows from the operating businesses. The cash flow forecasts are based on the most recent financial budgets approved by the Board which includes our best estimates of the impact of Covid-19 and include the decision to collect out the Finnish business. The rate used to discount the forecast cash flows is 10% (2019: 9%). This review confirmed that no impairment of the investment is required.

The subsidiary companies of IPF plc, which are 100% owned by the Group and included in these Consolidated Financial Statements, are detailed below:

Subsidiary company	Country of incorporation and operation	Principal activity
International Credit Insurance Limited	Guernsey	Provision of services
International Personal Finance Digital Spain S.A.U.	Spain	Digital credit
International Personal Finance Investments Limited	United Kingdom	Holding company
IPF Ceská republica s.r.o	Czech Republic	Non-trading
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 Finland Oy	Finland	Digital credit
IPF Digital Group Limited	United Kingdom	Holding company
IPF Digital Latvia, SIA	Latvia	Digital credit
IPF Digital Lietuva, UAB	Lithuania	Digital credit
IPF Digital Mexico S.A de C.V	Mexico	Digital credit
IPF Financial Services Limited	United Kingdom	Provision of services
IPF Financing Limited	United Kingdom	Provision of services
IPF Guernsey (2) Limited	Guernsey	Dormant
IPF Holdings Limited	United Kingdom	Holding company
IPF International Limited	United Kingdom	Provision of services
IPF Investments Polska sp. z o.o.	Poland	Provision of services
IPF Management	Ireland	Provision of services
IPF Nordic Limited	United Kingdom	Provision of services
IPF Polska sp. z o.o.	Poland	Digital credit
PF (Netherlands) B.V.	Netherlands	Provision of services
Provident Agent De Asigurae srl	Romania	Provision of services
Provident Financial Romania IFN S.A.	Romania	Home credit
Provident Financial s.r.o.	Czech Republic	Home credit
Provident Financial Zrt.	Hungary	Home credit
Provident Mexico S.A. de C.V.	Mexico	Home credit
Provident Polska S.A.	Poland	Home credit
Provident Polska sp. z o.o.	Poland	Non-trading
Provident Servicios de Agencia S.A. de C.V.	Mexico	Provision of services
Provident Servicios S.A. de C.V.	Mexico	Provision of services

All UK subsidiaries are registered at the same registered office as the Company, and this address is shown on the back cover of this Annual Report and Financial Statements.

14. Property, plant and equipment

Group	Computer equipment £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
Cost				
At 1 January 2019	78.1	25.8	3.3	107.2
Exchange adjustments	(2.2)	(0.9)	(0.3)	(3.4)
Additions	6.8	3.4	–	10.2
Disposals	(1.9)	(2.1)	(0.4)	(4.4)
At 31 December 2019	80.8	26.2	2.6	109.6
Depreciation				
At 1 January 2019	(66.2)	(19.4)	(1.7)	(87.3)
Exchange adjustments	1.6	0.7	0.2	2.5
Charge to the income statement	(5.9)	(2.3)	(0.3)	(8.5)
Disposals	1.5	1.8	0.4	3.7
At 31 December 2019	(69.0)	(19.2)	(1.4)	(89.6)
Net book value at 31 December 2019	11.8	7.0	1.2	20.0

Group	**Computer equipment £m**	**Fixtures and fittings £m**	**Motor vehicles £m**	**Total £m**
Cost				
At 1 January 2020	**80.8**	**26.2**	**2.6**	**109.6**
Exchange adjustments	**(0.7)**	**(0.8)**	**(0.1)**	**(1.6)**
Additions	**3.2**	**0.6**	**–**	**3.8**
Disposals	**(2.3)**	**(2.2)**	**(0.8)**	**(5.3)**
At 31 December 2020	**81.0**	**23.8**	**1.7**	**106.5**
Depreciation				
At 1 January 2020	**(69.0)**	**(19.2)**	**(1.4)**	**(89.6)**
Exchange adjustments	**0.5**	**0.5**	**–**	**1.0**
Charge to the income statement	**(4.5)**	**(2.5)**	**(0.2)**	**(7.2)**
Disposals	**2.3**	**1.9**	**0.5**	**4.7**
At 31 December 2020	**(70.7)**	**(19.3)**	**(1.1)**	**(91.1)**
Net book value at 31 December 2020	**10.3**	**4.5**	**0.6**	**15.4**

The Company has property, plant and equipment with a cost of £1.0 million (2019: £1.0 million); depreciation of £1.0 million (2019: £1.0 million); and a net book value of £nil (2019: £nil). All of these assets are computer equipment.

15. Right-of-use assets and lease liabilities

The movement in the right-of-use assets is as follows:

	Motor vehicles £m	Properties £m	Equipment £m	Group £m
Net book value at 1 January 2019	5.5	16.0	–	21.5
Exchange adjustments	(0.2)	(0.5)	–	(0.7)
Additions	4.1	3.0	–	7.1
Depreciation	(3.0)	(6.1)	–	(9.1)
Net book value at 31 December 2019	6.4	12.4	–	18.8

	Motor vehicles £m	**Properties £m**	**Equipment £m**	**Group £m**
Net book value at 1 January 2020	**6.4**	**12.4**	**–**	**18.8**
Exchange adjustments	**(0.2)**	**(0.3)**	**–**	**(0.5)**
Additions	**4.2**	**1.7**	**0.1**	**6.0**
Modifications	**0.1**	**3.5**	**–**	**3.6**
Impairment	**–**	**(0.5)**	**–**	**(0.5)**
Depreciation	**(3.6)**	**(6.3)**	**–**	**(9.9)**
Net book value at 31 December 2020	**6.9**	**10.5**	**0.1**	**17.5**

The amounts recognised in profit and loss are as follows:

Group	**2020 £m**	2019 £m
Depreciation on right-of-use assets	**9.9**	9.1
Interest expense on lease liabilities	**1.5**	1.5
Expense relating to short term leases	**1.6**	2.5
Expense relating to leases of low value assets	**0.1**	0.4
	13.1	13.5

The movement in the lease liability in the period is as follows:

	2020 £m	2019 £m
Lease liability at 1 January	**19.5**	21.5
Exchange adjustments	**(0.5)**	(0.7)
Additions	**9.6**	7.1
Interest	**1.5**	1.5
Lease payments	**(10.9)**	(9.9)
Lease liability at 31 December	**19.2**	19.5
Current liabilities	**7.4**	8.7
Non-current liabilities:		
– between one and five years	**11.1**	10.6
– greater than five years	**0.7**	0.2
	11.8	10.8
Lease liability at 31 December	**19.2**	19.5

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the rate implicit in the lease, or if that rate cannot be readily determined, at the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities at 31 December 2020 was 7.4%.

The total cash outflow in the year in respect of lease contracts was £11.4 million (2019: £13.1 million).

The Company has no leases as at 31 December 2020 (2019: £nil).

16. 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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
At 1 January	**131.7**	128.1	**0.6**	(0.1)
Exchange adjustments	**(3.9)**	(4.0)	**–**	–
Tax (charge)/credit to the income statement	**(5.9)**	7.5	**(1.2)**	0.5
Tax credit on other comprehensive income	**–**	0.1	**0.4**	0.2
At 31 December	**121.9**	131.7	**(0.2)**	0.6

The Finance Act 2016, which was substantively enacted on 6 September 2016, included an amending provision to reduce the UK corporation tax rate to 17% with effect from 1 April 2020. This reduction was subsequently cancelled and the UK corporation tax rate remained at 19% throughout 2020. Accordingly, 19% has been used in the calculation of UK deferred tax assets and liabilities at 31 December 2020.

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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Deferred tax assets	**135.7**	151.7	**–**	1.3
Deferred tax liabilities	**(13.8)**	(20.0)	**(0.2)**	(0.7)
At 31 December	**121.9**	131.7	**(0.2)**	0.6

	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 2019	9.4	118.5	0.2	128.1	(0.8)	0.7	(0.1)
Exchange adjustments	(0.4)	(3.9)	0.3	(4.0)	–	–	–
Tax credit/(charge) to the income statement	1.7	6.0	(0.2)	7.5	(0.1)	0.6	0.5
Tax credit on items taken directly to equity	–	–	0.1	0.1	0.2	–	0.2
At 31 December 2019	10.7	120.6	0.4	131.7	(0.7)	1.3	0.6
At 1 January 2020	**10.7**	**120.6**	**0.4**	**131.7**	**(0.7)**	**1.3**	**0.6**
Exchange adjustments	**0.8**	**(4.1)**	**(0.6)**	**(3.9)**	**–**	**–**	**–**
Tax credit/(charge) to the income statement	**14.3**	**(21.2)**	**1.0**	**(5.9)**	**(0.4)**	**(0.8)**	**(1.2)**
Tax credit on items taken directly to equity	**–**	**–**	**–**	**–**	**0.4**	**–**	**0.4**
At 31 December 2020	**25.8**	**95.3**	**0.8**	**121.9**	**(0.7)**	**0.5**	**(0.2)**

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 2020, the Group has unused tax losses of £139.2 million (2019: £59.2 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £85.8 million (2019: £37.3 million) of these losses where profit projections indicate the existence of sufficient taxable profits to support the recognition of the asset. No deferred tax has been recognised in respect of the remaining £53.4 million (2019: £21.9 million) as it is not considered probable that there will be future taxable profits available against which these losses can be offset. None of the unrecognised losses are subject to an expiry date.

No deferred tax liability is recognised on temporary differences of £15.4 million (2019: £nil) relating to the unremitted earnings of the Czech and Romanian subsidiaries on which dividend withholding tax may arise, as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

17. Amounts receivable from customers

Group	2020 £m	2019 £m
Amounts receivable from customers comprise:		
– amounts due within one year	**532.6**	728.3
– amounts due in more than one year	**136.5**	245.3
	669.1	973.6

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	2020 £m	2019 £m
Polish zloty	**225.3**	339.7
Czech crown	**50.9**	68.6
Euro	**117.0**	178.2
Hungarian forint	**89.9**	135.6
Mexican peso	**100.8**	158.1
Romanian leu	**62.1**	70.3
Australian dollar	**23.1**	23.1
	669.1	973.6

Amounts receivable from customers are stated at amortised cost and calculated in accordance with the Group's accounting policies. Depending on the risks associated with each loan, they are categorised into three stages where stage 3 is the highest risk.

Determining an increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1) and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).

When determining whether the risk of default has increased significantly since initial recognition the Group considers both quantitative and qualitative information based on the Group's historical experience.

The approach to identifying significant increases in credit risk is consistent across the Group's products. In addition, as a backstop, the Group considers that a significant increase in credit risk occurs when an asset is more than 30 days past due.

Financial instruments are moved back to stage 1 once they no longer meet the criteria for a significant increase in credit risk.

Definition of default and credit impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria: the customer is more than 90 days past due on their contractual payments in home credit and 60 days past due on their contractual payments in IPF Digital; and
- Qualitative criteria: indication that there is a measurable movement in the estimated future cash flows from a group of financial assets. For example, if prospective legislative changes are considered to impact the collections performance of customers.

The default definition has been applied consistently to model the probability of default (PD), and loss given default (LGD) throughout the Group's expected credit loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

17. Amounts receivable from customers continued

Write-offs

A financial instrument is written off (in full or in part) when the Group judges there to be no reasonable expectation that the instrument can be recovered (in full or in part). This is typically the case when the Group determines that the customer is not able to generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is performed at the individual instrument level. The related impairment loss allowance is also written off once all the necessary procedures have been completed and the loss amount has crystallised. Financial instruments that are written off could still be subject to recovery activities and subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

We have not disclosed amounts written off, including those still subject to recovery activities, separately in the receivables by stage as our impairment models do not analyse default performance in this manner.

The table below shows the amount of the net receivables in each stage at 31 December:

	2020				2019			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total Net Receivables £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total Net Receivables £m
Home credit	309.3	51.9	143.0	504.2	448.8	85.7	186.9	721.4
IPF Digital	157.2	6.2	1.5	164.9	232.5	18.8	0.9	252.2
Group	466.5	58.1	144.5	669.1	681.3	104.5	187.8	973.6

Gross carrying amount and loss allowance

The amounts receivable from customers includes a provision for the loss allowance, which relates to the expected credit losses on each agreement. The gross carrying amount is the present value of the portfolio before the loss allowance provision is deducted. The gross carrying amount less the loss allowance is equal to the net receivables.

	2020				2019			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total Net Receivables £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total Net Receivables £m
Gross carrying amount	601.3	125.1	456.1	1,182.5	815.6	188.9	459.9	1,464.4
Loss allowance	(134.8)	(67.0)	(311.6)	(513.4)	(134.3)	(84.4)	(272.1)	(490.8)
Net receivables	466.5	58.1	144.5	669.1	681.3	104.5	187.8	973.6

Gross carrying amount

The changes in gross carrying amount recognised for the period is impacted by a variety of factors:

- Credit issued in the period;
- Transfers between the three stages due to changes in the risk associated with each loan;
- Revenue recognised within the period;
- Recoveries from receivables; and
- Other movements to gross carrying amount and foreign exchange retranslations.

Loss allowance

The changes to the loss allowance recognised for the period is impacted by a variety of factors:

- Total impairment charge for the period, which comprises the following:
  - Loss allowance on credit issued;
  - Transfers between the three stages due to changes in the risk associated with each loan;
  - Changes in risk parameters (PDs, and LGDs) in the period arising from the regular refresh of the inputs into the expected loss model; and
  - Other impairment impact including the impact of movements in days past due within each stage, impairment impact of write-offs and post field write-off collections.
- Recoveries from receivables not included within impairment; and
- Other movements to the loss allowance and foreign exchange retranslations.

17. Amounts receivable from customers continued

The following tables explain the changes for home credit in the gross carrying amount, the loss allowance and net receivables between the beginning of the year and the end of the year:

	2020				2019			
Gross carrying amount – home credit	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening gross carrying amount at 1 January	555.2	156.5	430.7	1,142.4	571.8	164.4	448.6	1,184.8
Credit issued	623.2	–	–	623.2	1,019.5	–	–	1,019.5
Transfers between stages:	(275.3)	15.9	259.4	–	(360.6)	59.9	300.7	–
From stage 1	(293.2)	84.5	208.7	–	(377.8)	146.6	231.2	–
From stage 2	7.3	(69.3)	62.0	–	7.5	(87.6)	80.1	–
From stage 3	10.6	0.7	(11.3)	–	9.7	0.9	(10.6)	–
Revenue	270.5	53.9	196.1	520.5	411.7	90.2	197.9	699.8
Recoveries	(768.4)	(119.1)	(471.7)	(1,359.2)	(1,062.9)	(158.6)	(511.9)	(1,733.4)
Other movements	7.1	0.3	(6.8)	0.6	(24.3)	0.6	(4.6)	(28.3)
Closing gross carrying amount at 31 December	412.3	107.5	407.7	927.5	555.2	156.5	430.7	1,142.4

	2020				2019			
Loss allowance – home credit	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening loss allowance at 1 January	(106.4)	(70.8)	(243.8)	(421.0)	(111.2)	(74.4)	(256.4)	(442.0)
Loss allowance on credit issued	(68.4)	–	–	(68.4)	(111.1)	–	–	(111.1)
Transfers between stages:	48.5	13.3	(61.8)	–	113.0	(12.0)	(101.0)	–
From stage 1	57.0	(21.0)	(36.0)	–	120.8	(45.6)	(75.2)	–
From stage 2	(2.4)	34.6	(32.2)	–	(2.6)	33.9	(31.3)	–
From stage 3	(6.1)	(0.3)	6.4	–	(5.2)	(0.3)	5.5	–
Change in risk parameters	2.1	0.0	0.1	2.2	(0.7)	(0.2)	(2.3)	(3.2)
Covid-19 PMO	(20.4)	(3.6)	(9.5)	(33.5)	–	–	–	–
Other impairment	(38.5)	(29.9)	(17.2)	(85.6)	(67.6)	(21.2)	44.8	(44.0)
Total impairment	(76.7)	(20.2)	(88.4)	(185.3)	(66.4)	(33.4)	(58.5)	(158.3)
Recoveries	75.8	41.6	54.4	171.8	63.0	35.9	61.9	160.8
Other movements	4.3	(6.2)	13.1	11.2	8.2	1.1	9.2	18.5
Closing loss allowance at 31 December	(103.0)	(55.6)	(264.7)	(423.3)	(106.4)	(70.8)	(243.8)	(421.0)

	2020				2019			
Net receivables – home credit	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening net receivables at 1 January	448.8	85.7	186.9	721.4	460.6	90.0	192.2	742.8
Credit issued	623.2	–	–	623.2	1,019.5	–	–	1,019.5
Transfers between stages:	(275.3)	15.9	259.4	–	(360.6)	59.9	300.7	–
From stage 1	(293.2)	85.4	208.7	–	(377.8)	146.6	231.2	–
From stage 2	7.3	(69.3)	62.0	–	7.5	(87.6)	80.1	–
From stage 3	10.6	0.7	(11.3)	–	9.7	0.9	(10.6)	–
Revenue	270.5	53.9	196.1	520.5	411.7	90.2	197.9	699.8
Impairment	(76.7)	(20.2)	(88.4)	(185.3)	(66.4)	(33.4)	(58.5)	(158.3)
Recoveries	(692.6)	(77.5)	(417.3)	(1,187.4)	(999.9)	(122.7)	(450.0)	(1,572.6)
Other movements	11.4	(5.9)	6.3	11.8	(16.1)	1.7	4.6	(9.8)
Closing net receivables at 31 December	309.3	51.9	143.0	504.2	448.8	85.7	186.9	721.4

17. Amounts receivable from customers continued

The following tables explain the changes for IPF Digital in the gross carrying amount, the loss allowance and net receivables between the beginning of the year and the end of the year:

	2020				2019			
Gross carrying amount – IPF Digital	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening gross carrying amount at 1 January	260.4	32.4	29.2	322.0	252.4	28.1	37.5	318.0
Credit issued	149.0	-	-	149.0	333.5	–	–	333.5
Transfers between stages:	(64.5)	(21.8)	86.3	-	(101.1)	(3.5)	104.6	–
From stage 1	(142.8)	140.8	2.0	-	(181.2)	179.4	1.8	–
From stage 2	76.1	(164.7)	88.6	-	78.2	(185.1)	106.9	–
From stage 3	2.2	2.1	(4.3)	-	1.9	2.2	(4.1)	–
Revenue	120.4	13.3	7.1	140.8	161.8	17.9	9.6	189.3
Recoveries	(282.9)	(7.5)	(75.4)	(365.8)	(371.9)	(8.5)	(120.1)	(500.5)
Other movements	6.6	1.2	1.2	9.0	(14.3)	(1.6)	(2.4)	(18.3)
Closing gross carrying amount at 31 December	**189.0**	**17.6**	**48.4**	**255.0**	260.4	32.4	29.2	322.0

	2020				2019			
Loss allowance – IPF Digital	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening loss allowance at 1 January	(27.9)	(13.6)	(28.3)	(69.8)	(25.4)	(9.8)	(32.8)	(68.0)
Loss allowance on credit issued	(16.1)	-	-	(16.1)	(32.9)	–	–	(32.9)
Transfers between stages:	(9.4)	60.2	(50.8)	-	(1.2)	55.2	(54.0)	–
From stage 1	20.1	(19.9)	(0.2)	-	25.0	(24.7)	(0.3)	–
From stage 2	(27.9)	81.4	(53.5)	-	(25.0)	81.0	(56.0)	–
From stage 3	(1.6)	(1.3)	2.9	-	(1.2)	(1.1)	2.3	–
Change in risk parameters	(4.3)	(1.9)	(0.6)	(6.8)	(1.1)	(0.2)	(1.3)	(2.6)
Covid-19 PMO	(2.4)	(1.6)	(1.2)	(5.2)	–	–	–	–
Other impairment	26.2	(57.1)	(5.8)	(36.7)	33.5	(58.1)	(25.1)	(49.7)
Total post-exceptional impairment	(6.0)	(0.4)	(58.4)	(64.8)	(1.7)	(3.1)	(80.4)	(85.2)
Recoveries	-	-	52.6	52.6	–	–	93.1	93.1
Other movements	2.1	2.6	(12.8)	(8.1)	(0.8)	(0.7)	(8.2)	(9.7)
Closing loss allowance at 31 December	**(31.8)**	**(11.4)**	**(46.9)**	**(90.1)**	(27.9)	(13.6)	(28.3)	(69.8)

	2020				2019			
Net receivables – IPF Digital	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening net receivables at 1 January	232.5	18.8	0.9	252.2	227.0	18.3	4.7	250.0
Credit issued	149.0	-	-	149.0	333.5	–	–	333.5
Transfers between stages:	(64.5)	(21.8)	86.3	-	(101.1)	(3.5)	104.6	–
From stage 1	(142.8)	140.8	2.0	-	(181.2)	179.4	1.8	–
From stage 2	76.1	(164.7)	88.6	-	78.2	(185.1)	106.9	–
From stage 3	2.2	2.1	(4.3)	-	1.9	2.2	(4.1)	–
Revenue	120.4	13.3	7.1	140.8	161.8	17.9	9.6	189.3
Post-exceptional impairment	(6.0)	(0.4)	(58.4)	(64.8)	(1.7)	(3.1)	(80.4)	(85.2)
Recoveries	(282.9)	(7.5)	(22.8)	(313.2)	(371.9)	(8.5)	(27.0)	(407.4)
Other movements	8.7	3.8	(11.6)	0.9	(15.1)	(2.3)	(10.6)	(28.0)
Closing net receivables at 31 December	**157.2**	**6.2**	**1.5**	**164.9**	232.5	18.8	0.9	252.2

17. Amounts receivable from customers continued

Impairment as a percentage of revenue for each geographical segment is shown below:

Group	2020 %	2019 %
European home credit	36.4	12.4
Mexico home credit	33.7	41.3
Digital	44.2	45.0

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2019: £nil).

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 96% (2019: 105%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 11.1 months (2019: 12.2 months).

No collateral is held in respect of any customer receivables.

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 segment 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.

The Company has no amounts receivable from customers (2019: £nil).

18. Cash and cash equivalents

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Cash at bank and in hand	116.3	37.4	65.1	0.2

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

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
GBP Sterling	56.8	–	56.8	–
Polish zloty	14.5	18.4	–	–
Czech crown	3.6	2.2	–	–
Euro	32.3	5.6	8.3	0.2
Hungarian forint	1.1	1.6	–	–
Mexican peso	5.0	6.5	–	–
Romanian leu	2.4	2.3	–	–
Australian dollar	0.6	0.8	–	–
Total	116.3	37.4	65.1	0.2

19. Other receivables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Other receivables	2.1	4.2	0.1	0.6
Prepayments	7.8	12.7	0.2	0.3
Amounts due from Group undertakings	–	–	581.6	634.7
Total	9.9	16.9	581.9	635.6

No balance within other receivables is impaired.

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

20. Trade and other payables

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Trade payables	**7.7**	9.9	**0.1**	0.6
Other payables including taxation and social security	**41.5**	49.8	**0.1**	0.1
Accruals	**39.9**	64.2	**8.2**	20.8
Amounts due to Group undertakings	**–**	–	**382.9**	453.4
Total	**89.1**	123.9	**391.3**	474.9

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

21. Borrowing facilities and borrowings

The Group and Company's borrowings are as follows:

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Borrowings				
Bank borrowings	**76.1**	137.3	**–**	4.6
Bonds	**415.9**	539.1	**415.9**	499.4
Total	**492.0**	676.4	**415.9**	504.0

The Group's external bonds comprise the following:

Bond	Coupon %	Maturity date	2020 £m
€341.21 million	9.750	2025	**305.1**
£78.1 million	7.750	2023	**78.1**
Swedish krona 450.0 million	Three-month STIBOR plus 875 basis points	2022	**40.1**
			423.3
Less: unamortised arrangement fees and issue discount			**(7.4)**
			415.9

The Swedish Krona 450 million (£40.1 million) bond is a floating rate bond. The external bank borrowings of the Group are at a combination of floating and fixed rates.

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

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Borrowings				
Repayable:				
– in less than one year	**0.2**	112.7	**–**	48.6
– between one and two years	**74.3**	366.7	**40.1**	342.5
– between two and five years	**417.5**	197.0	**375.8**	112.9
Total	**492.0**	676.4	**415.9**	504.0

The average period to maturity of the Group's external bonds and committed external borrowing facilities is 3.3 years (2019: 1.7 years).

21. Borrowing facilities and borrowings continued

The currency exposure on external borrowings is as follows:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Sterling	**76.8**	125.1	**76.8**	125.1
Polish zloty	**–**	63.7	**–**	–
Czech crown	**5.5**	21.5	**–**	–
Euro	**299.0**	342.5	**299.0**	342.5
Hungarian forint	**69.4**	75.9	**–**	–
Mexican peso	**–**	5.8	**–**	–
Romanian leu	**1.2**	5.5	**–**	–
Swedish krona	**40.1**	36.4	**40.1**	36.4
Total	**492.0**	676.4	**415.9**	504.0

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

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Bond and bank facilities available				
Repayable:				
– on demand	**40.1**	23.7	**9.8**	9.7
– in less than one year	**45.7**	171.5	**5.0**	66.4
– between one and two years	**104.4**	424.9	**70.2**	380.5
– between two and five years	**433.8**	241.5	**383.2**	126.7
Total	**624.0**	861.6	**468.2**	583.3

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

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Expiring within one year	**85.6**	82.3	**14.8**	27.4
Expiring between one and two years	**30.1**	57.1	**30.1**	49.2
Expiring in more than two years	**8.9**	43.0	**–**	–
Total	**124.6**	182.4	**44.9**	76.6

Undrawn external facilities above does not include unamortised arrangement fees and issue discount.

22. 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 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 are 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.

22. Risks arising from financial instruments continued

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 twelve months with an average period to maturity of around eleven 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 an appropriate level of operational headroom on a rolling basis. Further, the aim is to ensure that there is a balanced refinancing profile; 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 2020, the Group's bonds and committed borrowing facilities had an average period to maturity of 3.3 years (2019: 1.7 years).

As shown in note 21, total undrawn facilities as at 31 December 2020 were £124.6 million (2019: £182.4 million).

A maturity analysis of gross borrowings included in the balance sheet is presented in note 21. 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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Not later than six months	**25.6**	113.1	**19.4**	60.1
Later than six months and not later than one year	**21.3**	36.3	**19.7**	287.3
Later than one year and not later than two years	**116.8**	387.2	**77.3**	358.0
Later than two years and not later than five years	**510.8**	217.8	**473.4**	297.0
	674.5	754.4	**589.8**	1,002.4

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.

In line with paragraph 39(a) of IFRS 7, the maturity table for the Company also includes amounts payable to Group companies of £382.9 million (2019: £437.9 million).

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:

	2020		2019	
Group	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**270.4**	**265.6**	146.0	143.1
Later than one month and not later than six months	**159.9**	**156.5**	140.4	135.4
Later than six months and not later than one year	**16.9**	**16.8**	95.9	87.2
Later than one year and not later than two years	**-**	**-**	40.3	32.4
	447.2	**438.9**	422.6	398.1

	2020		2019	
Company	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**31.7**	**31.4**	0.6	0.5
Later than one month and not later than six months	**0.7**	**0.7**	0.9	0.9
Later than six months and not later than one year	**0.4**	**0.4**	0.5	0.5
	32.8	**32.5**	2.0	1.9

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.

22. Risks arising from financial instruments continued

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 %
2019				
Less than one year	728.3	74.8	195.2	22.7
Later than one year	245.3	25.2	666.4	77.3
	973.6	100.0	861.6	100.0
2020				
Less than one year	**532.6**	**79.6**	**85.8**	**13.8**
Later than one year	**136.5**	**20.4**	**538.2**	**86.2**
	669.1	**100.0**	**624.0**	**100.0**

The average period of receivables outstanding has reduced as a result of issuing shorter-term loans in response to Covid-19 in our home credit business.

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, and in note 17.

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 five years.

Interest costs are a relatively low proportion of the Group's revenue (8.3% in 2020; 7.1% in 2019) 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, net of existing hedging arrangements.

Group	**2020 £m**	2019 £m
Increase in fair value of derivatives taken to equity	**–**	–
Reduction in profit before taxation	**0.5**	1.3

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.

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 2020 is a reduction in net assets of £4.1 million (2019: reduction of £42.2 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.

22. Risks arising from financial instruments continued

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	2020 £m	2019 £m
Change in reserves	0.1	4.9
Change in (loss)/profit before taxation	0.5	7.8

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, and Australian dollar); 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 as approved, or delegated for approval, by the Board.

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

Group	2020 £m	2019 £m
Cash and cash equivalents	116.3	37.4
Derivative financial assets	0.5	0.3
Total	**116.8**	37.7

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 18.

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 with bank counterparties in accordance with the limits set out in our treasury policies, to ensure the risk of loss is minimised.

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	2020 £m	2019 £m
Amounts receivable from customers	669.1	973.6

The table above represents the maximum exposure to credit risk of the Group at the year end. Further analysis of the amounts receivable from customers is presented in note 17.

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.

22. Risks arising from financial instruments continued

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	2020 £m	2019 £m
Receivables	669.1	973.6
Borrowings	(492.0)	(676.4)
Other net assets	193.4	139.2
Equity	370.5	436.4
Equity as % of receivables	55.4%	44.8%
Gearing	1.3	1.5

Equity as a percentage of receivables was above the Group's internally-set target.

Following the implementation of temporary amendments to the Group's debt funding covenants, we continue to operate with significant headroom on the key financial covenants, further details are included on page 35.

23. Derivative financial instruments

The Group's derivative assets and liabilities that were measured at fair value at 31 December are as follows:

Group	2020 £m	2019 £m
Assets		
Foreign currency contracts	0.5	0.3
Total	**0.5**	0.3

Group	2020 £m	2019 £m
Liabilities		
Interest rate swaps	–	0.2
Foreign currency contracts	6.7	16.0
Total	**6.7**	16.2

Company	2020 £m	2019 £m
Assets		
Foreign currency contracts	0.1	–
Total	**0.1**	–

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.

23. Derivative financial instruments continued

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 £1.3 million has been credited to equity for the Group in the period in respect of cash flow hedges (2019: £0.6 million credited to equity), Company: £nil million (2019: £0.1 million charge).

The following table shows the notional maturity profile of outstanding cash flow hedges:

Group	Repayable up to one year £m	In more than one year but less than two years £m	Total £m
As at 31 December 2019			
Foreign currency contracts	191.6	228.3	419.9
Interest rate swaps	39.8	–	39.8
Cash flow hedges	231.4	228.3	459.7
As at 31 December 2020			
Foreign currency contracts	**447.2**	**–**	**447.2**
Cash flow hedges	**447.2**	**–**	**447.2**

Company	Repayable up to one year £m	In more than one year but less than two years £m	Total £m
As at 31 December 2019			
Foreign currency contracts	1.9	–	1.9
Cash flow hedges	1.9	–	1.9
As at 31 December 2020			
Foreign currency contracts	**32.8**	**–**	**32.8**
Cash flow hedges	**32.8**	**–**	**32.8**

In 2019, interest rate swaps in place at the balance sheet date were designated, and were effective under IAS 39, as cash flow hedges, and the fair value thereof was deferred in equity within the hedging reserve.

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

	2020			2019		
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	0.4

The Company did not hold any interest rate swaps at 31 December 2020 (31 December 2019: £nil).

24. Analysis of financial assets and financial liabilities

Financial assets

An analysis of Group financial assets is presented below:

Group	2020 Financial assets at amortised cost £m	2020 Derivatives used for hedging £m	2020 Total £m	2019 Financial assets at amortised cost £m	2019 Derivatives used for hedging £m	2019 Total £m
Amounts receivable from customers	**669.1**	**–**	**669.1**	973.6	–	973.6
Derivative financial instruments	**–**	**0.5**	**0.5**	–	0.3	0.3
Cash and cash equivalents	**116.3**	**–**	**116.3**	37.4	–	37.4
Other receivables	**9.9**	**–**	**9.9**	16.9	–	16.9
	795.3	**0.5**	**795.8**	1,027.9	0.3	1,028.2

Financial liabilities

An analysis of Group financial liabilities is presented below:

Group	2020 Financial liabilities at amortised cost £m	2020 Derivatives used for hedging £m	2020 Total £m	2019 Financial liabilities at amortised cost £m	2019 Derivatives used for hedging £m	2019 Total £m
Bonds	**415.9**	**–**	**415.9**	539.1	–	539.1
Bank borrowings	**76.1**	**–**	**76.1**	137.3	–	137.3
Derivative financial instruments	**–**	**6.7**	**6.7**	–	16.2	16.2
Trade and other payables	**89.1**	**–**	**89.1**	123.9	–	123.9
Provision for liabilities and charges	**19.2**	**–**	**19.2**			
	600.3	**6.7**	**607.0**	800.3	16.2	816.5

25. Fair values of financial assets and liabilities

IFRS 13 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).

With the exception of derivatives, which are held at fair value, amounts receivable from customers, and bonds, the carrying value of all other financial assets and liabilities (which are short-term in nature) is considered to be a reasonable approximation of their fair value. Details of the significant assumptions made in determining the fair value of amounts receivable from customers and bonds are included below, along with the fair value of other Group assets and liabilities.

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

At 31 December 2019	Carrying value £m	Fair values Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets					
Amounts receivable from customers	973.6	–	–	1,345.6	1,345.6
Derivative financial instruments	0.3	–	0.3	–	0.3
Cash and cash equivalents	37.4	37.4	–	–	37.4
Other receivables	16.9	–	–	16.9	16.9
	1,028.2	37.4	0.3	1,362.5	1,400.2
Financial liabilities					
Bonds	539.1	533.4	–	–	533.4
Bank borrowings	137.3	137.3	–	–	137.3
Derivative financial instruments	16.2	–	16.2	–	16.2
Trade and other payables	123.9	–	–	123.9	123.9
	816.5	670.7	16.2	123.9	810.8

At 31 December 2020	**Carrying value £m**	**Fair values Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total fair value £m**
Financial assets					
Amounts receivable from customers	**669.1**	**–**	**–**	**908.8**	**908.8**
Derivative financial instruments	**0.5**	**–**	**0.5**	**–**	**0.5**
Cash and cash equivalents	**116.3**	**116.3**	**–**	**–**	**116.3**
Other receivables	**9.9**	**–**	**–**	**9.9**	**9.9**
	795.8	**116.3**	**0.5**	**918.7**	**1,035.5**
Financial liabilities					
Bonds	**415.9**	**405.4**	**–**	**–**	**405.4**
Bank borrowings	**76.1**	**76.1**	**–**	**–**	**76.1**
Derivative financial instruments	**6.7**	**–**	**6.7**	**–**	**6.7**
Trade and other payables	**89.1**	**–**	**–**	**89.1**	**89.1**
Provision for liabilities and charges	**19.2**	**–**	**–**	**19.2**	**19.2**
	607.0	**481.5**	**6.7**	**108.3**	**596.5**

25. Fair values of financial assets and liabilities continued

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

At 31 December 2019	Carrying value £m	Fair values Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets					
Cash and cash equivalents	0.2	0.2	–	–	0.2
Other receivables	635.6	–	–	635.6	635.6
	635.8	0.2	–	635.6	635.8
Financial liabilities					
Bonds	499.4	494.8	–	–	494.8
Bank borrowings	4.6	4.6	–	–	4.6
Trade and other payables	474.9	–	–	474.9	474.9
	978.9	499.4	–	474.9	974.3

At 31 December 2020	Carrying value £m	Fair values Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets					
Derivative financial instruments	**0.1**	**–**	**0.1**	**–**	**0.1**
Cash and cash equivalents	**65.1**	**65.1**	**–**	**–**	**65.1**
Other receivables	**581.9**	**–**	**–**	**581.9**	**581.9**
	647.1	**65.1**	**0.1**	**581.9**	**647.1**
Financial liabilities					
Bonds	**415.9**	**405.4**	**–**	**–**	**405.4**
Trade and other payables	**391.3**	**–**	**–**	**391.3**	**391.3**
	807.2	**405.4**	**–**	**391.3**	**796.7**

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 collection costs, at the Group's weighted average cost of capital which we estimate to be 10% (2019: 9%) which is assumed to be a proxy for the discount rate that a market participant would use to price the asset.

Under IFRS 13 'Fair value measurement', receivables are classed as level 3 as their fair value is calculated using future cash flows that are unobservable inputs.

The fair value of the bonds has been calculated by reference to their market value where market prices are available.

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.

26. Provisions

The Group receives claims brought by or on behalf of current and former customers in connection with its past conduct. Where significant, provisions are held against the costs expected to be incurred in relation to these matters. Customer redress provisions of £19.2 million represent the Group's best estimate of the costs that are expected to be incurred in relation to early settlement rebates in Poland (2020: £17.6 million; 2019: £4.0 million included within trade and other payables) and claims management charges incurred in Spain (2020: £1.6 million; 2019: £nil). All claims are expected to be settled within 12 months of the balance sheet date. Further details are included on page 122.

27. Retirement benefit asset/obligation

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.

Scheme assets are stated at fair value as at 31 December 2020. The major assumptions used by the actuary were:

Group and Company	2020 %	2019 %
Price inflation ('CPI')	2.2	1.9
Rate of increase to pensions in payment	2.7	2.6
Discount rate	1.5	2.1

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.

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 25 years. On average, we expect a female retiring in the future at age 65 to live for a further 27 years. If life expectancies had been assumed to be one year greater for all members, the defined benefit asset would reduce by approximately £2.5 million.

If the discount rate was 25 basis points higher/(lower), the defined benefit asset would increase by £2.8 million/(decrease by £3.1 million).

If the price inflation rate was 25 basis points higher/(lower), the defined benefit asset would decrease by £1.5 million/(increase by £1.4 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit asset, as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The amounts recognised in the balance sheet are as follows:

Group and Company	2020 £m	2019 £m
Diversified growth funds	8.4	6.9
Corporate bonds	20.4	18.3
Liability driven investments	23.0	18.7
Other	0.4	1.9
Total fair value of scheme assets	52.2	45.8
Present value of funded defined benefit obligations	(48.8)	(42.4)
Net asset recognised in the balance sheet	**3.4**	**3.4**

The amounts recognised in the income statement are as follows:

Group and Company	2020 £m	2019 £m
Interest cost	0.8	1.1
Past service gain	(0.4)	–
Expected return on scheme assets	(0.9)	(1.2)
Net credit recognised in the income statement	**(0.5)**	**(0.1)**

The net credit is included within administrative expenses and includes a past service credit of £0.4 million due to a Pension Increase Exchange exercise that took place during 2020.

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

Group and Company	2020 £m	2019 £m
Fair value of scheme assets at 1 January	45.8	41.4
Expected return on scheme assets	0.9	1.2
Actuarial gain on scheme assets	6.7	4.4
Contributions by the Group	0.9	0.9
Net benefits paid out	(2.1)	(2.1)
Fair value of scheme assets at 31 December	**52.2**	**45.8**

The Group expects to make a contribution of £0.9 million (2019: £0.9 million) to the deferred benefit pension scheme in the year ending 31 December 2021. The Group is committed to paying £0.9 million per annum into the scheme until 2022 pursuant to a recovery plan agreed with the scheme Trustee.

27. Retirement benefit asset/obligation continued

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

Group and Company	2020 £m	2019 £m
Defined benefit obligation at 1 January	**(42.4)**	(37.3)
Interest cost	**(0.8)**	(1.1)
Actuarial loss on scheme liabilities	**(8.1)**	(6.1)
Past service gain	**0.4**	–
Net benefits paid out	**2.1**	2.1
Defined benefit obligation at 31 December	**(48.8)**	(42.4)

The weighted average duration of the defined benefit asset is 24.2 years (2019: 23.3 years).

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

Group and Company	2020 £m	2019 £m
Expected return on scheme assets	**0.9**	1.2
Actuarial gain on scheme assets	**6.7**	4.4
Actual return on scheme assets	**7.6**	5.6

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	2020 £m	2019 £m
Actuarial gain on scheme assets	**6.7**	4.4
Actuarial loss on scheme liabilities	**(8.1)**	(6.1)
Total loss recognised in the SOCI in the year	**(1.4)**	(1.7)
Cumulative amount of losses recognised in the SOCI	**(17.2)**	(15.8)

The history of experience adjustments are as follows:

Group and Company	2020	2019	2018*	2017*	2016*
Actuarial gains/(losses) on scheme assets:					
• amount (£m)	**6.7**	4.4	(2.2)	3.9	3.4
• percentage of scheme assets (%)	**12.8**	9.6	(5.3)	9.2	8.5
Experience gains on scheme liabilities:					
• amount (£m)	**–**	–	–	2.9	–
• percentage of scheme liabilities (%)	**–**	–	–	7.1	–

* As required under IAS 19.

Pension schemes – defined contribution

The defined benefit pension scheme is no longer open to further accrual. All eligible UK employees are invited to join stakeholder pension schemes into which the Group contributes between 8% and 20% of members' pensionable earnings, provided the employee contributes a minimum of 5%. The assets of the scheme are held separately from those of the Group. The pension charge in the income statement represents contributions payable by the Group in respect of the scheme and amounted to £0.8 million for the year ended 31 December 2020 (2019: £0.9 million). £nil contributions were payable to the scheme at the year end (2019: £nil).

28. Share-based payments

The Group currently operates five categories of share schemes: The International Personal Finance plc Performance Share Plan ('the Performance Share Plan'); The International Personal Finance plc Approved Company Share Option Plan ('the CSOP'); The International Personal Finance plc Employee Savings-Related Share Option Scheme ('the SAYE scheme'); The International Personal Finance plc Deferred Share Plan ('the Deferred Share Plan'); and The International Personal Finance plc Discretionary Award Plan ('the Discretionary Award Plan'). A number of awards have been granted under these schemes during the period under review. No awards have been granted under the CSOP, or the HYS Plan in 2020.

Options granted under the Performance Share Plans and CSOPs may be subject to a total shareholder return ('TSR') performance target and/or earnings per share ('EPS') growth; net revenue growth; customer numbers growth; agent turnover; and earnings before interest and tax ('EBIT') 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 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. From the 2018 scheme onwards, the Deferred Share Plan does not have 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 £1.1 million (2019: charge of £2.4 million).

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	Deferred Share Plan	Discretionary Award Plan
Grant date	28/02/20	28/02/20
Share price at award date	£1.46	£1.46
Base price for TSR	n/a	n/a
Exercise price	n/a	n/a
Vesting period (years)	3	3
Expected volatility	n/a	n/a
Award life (years)	n/a	n/a
Expected life (years)	n/a	n/a
Risk-free rate	n/a	n/a
Expected dividends expressed as a dividend yield	n/a	n/a
Deferred portion	n/a	n/a
TSR threshold	n/a	n/a
TSR maximum target	n/a	n/a
EPS threshold	n/a	n/a
EPS maximum target	n/a	n/a
Net revenue threshold	n/a	n/a
Net revenue maximum target	n/a	n/a
Fair value per award (£)	n/a	n/a

No exercise price is payable in respect of any awards made under the Performance Share Plan, Discretionary Award 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.

The 2020 grant under the Performance Share Plan was surrendered in full.

Further detail in respect of the Performance Share Plans, CSOPs, Deferred Share Plans, SAYE schemes and Discretionary Award Plan is given in the Corporate Governance Report.

28. Share-based payments continued

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 2019	577,376	1.72	236,092	2.99	2,154,587	–	8,177,472	–	5,536	–	612,704	–
Granted	1,087,937	0.86	–	–	1,101,832	–	3,820,391	–	–	–	8,345	–
Expired/lapsed	(471,943)	1.70	(202,094)	2.96	(104,172)	–	(1,815,112)	–	(5,536)	–	(38,428)	–
Exercised	–	–	–	–	(233,916)	–	(38,729)	–	–	–	(200,000)	–
Outstanding at 31 December 2019	1,193,370	0.94	33,998	3.16	2,918,331	–	10,144,022	–	–	–	382,621	–
Outstanding at 1 January 2020	**1,193,370**	**0.94**	**33,998**	**3.16**	**2,918,331**	**–**	**10,144,022**	**–**	**–**	**–**	**382,621**	**–**
Granted	**–**	**–**	**–**	**–**	**852,870**	**–**	**1,755,178**	**–**	**–**	**–**	**526,902**	**–**
Expired/lapsed	**(234,971)**	**0.99**	**(23,071)**	**2.62**	**(176,121)**	**–**	**(4,083,978)**	**–**	**–**	**–**	**–**	**–**
Exercised	**–**	**–**	**–**	**–**	**(372,219)**	**–**	**(236,154)**	**–**	**–**	**–**	**–**	**–**
Outstanding at 31 December 2020	**958,399**	**0.93**	**10,927**	**4.30**	**3,222,861**	**–**	**7,579,068**	**–**	**–**	**–**	**909,523**	**–**

Share awards outstanding at 31 December 2020 had exercise prices of £0.86 - £5.26 (2019: £0.86 - £6.36) and a weighted average remaining contractual life of 7.9 years (2019: 8.4 years).

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 2019	395,998	1.68	125,989	2.68	809,233	–	3,158,254	–
Granted	702,897	0.86	–	–	420,251	–	1,584,765	–
Expired/lapsed	(362,465)	1.66	(98,256)	2.98	(66,766)	–	(590,581)	–
Exercised	–	–	–	–	(139,827)	–	(10,408)	–
Outstanding at 31 December 2019	736,430	0.91	27,733	2.96	1,022,891	–	4,142,030	–
Outstanding at 1 January 2020	**736,430**	**0.91**	**27,733**	**2.96**	**1,022,891**	**–**	**4,142,030**	**–**
Granted	**–**	**–**	**–**	**–**	**353,728**	**–**	**1,182,345**	**–**
Expired/lapsed	**(97,115)**	**0.87**	**(21,837)**	**2.40**	**(60,878)**	**–**	**(2,046,164)**	**–**
Exercised	**–**	**–**	**–**	**–**	**(117,013)**	**–**	**(95,134)**	**–**
Outstanding at 31 December 2020	**639,315**	**0.91**	**5,896**	**5.01**	**1,198,728**	**–**	**3,183,077**	**–**

The Company does not have any awards under the HYS Plan or Discretionary Award Plan.

Share awards outstanding at 31 December 2020 had exercise prices of £0.86 - £5.26 (2019: £0.86 - £5.26) and a weighted average remaining contractual life of 7.9 years (2019: 8.5 years).

29. Share capital

Company	**2020 £m**	2019 £m
234,244,437 fully paid up shares at a nominal value of 10 pence	**23.4**	23.4

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 International Personal Finance purchased from the market, which can be used to satisfy options under the Group's share options schemes (see note 28). The number of ordinary shares held in treasury and by the employee trust at 31 December 2020 was 11,560,509 (2019: 12,224,083). During 2020 the employee trust acquired nil shares at an average price of £nil.

30. Reconciliation of (loss)/profit after taxation to cash generated from operating activities

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
(Loss)/profit after taxation from operations	**(64.2)**	71.8	**181.7**	(33.9)
Adjusted for:				
• tax charge	**23.5**	42.2	**1.8**	0.8
• finance costs	**56.7**	63.5	**65.4**	58.4
• finance income	**(9.9)**	–	**(35.4)**	(34.9)
• share-based payment charge (note 28)	**1.1**	2.4	**0.2**	1.4
• depreciation of property, plant and equipment (note 14)	**7.2**	8.5	**–**	–
• loss on disposal of property, plant and equipment (note 14)	**0.2**	0.5	**–**	–
• amortisation of intangible assets (note 12)	**25.9**	14.8	**–**	–
• depreciation of right-of-use assets (note 15)	**9.9**	9.1	**–**	–
• impairment of right-of-use assets (note 15)	**0.5**	–	**–**	–
• short term and low value lease costs (note 15)	**1.7**	2.9	**–**	–
Changes in operating assets and liabilities:				
• decrease/(increase) in amounts receivable from customers	**294.9**	(34.3)	**–**	–
• decrease/(increase) in other receivables	**4.1**	(3.7)	**49.1**	31.1
• (decrease)/increase in trade and other payables	**(31.2)**	(18.3)	**(71.8)**	59.4
• change in provisions	**19.2**	–	**–**	–
• change in retirement benefit asset	**(1.4)**	(1.0)	**(1.4)**	(1.0)
• (decrease)/increase in derivative financial instrument liabilities	**(8.4)**	10.8	**(0.1)**	(0.2)
Cash generated from operating activities	**329.8**	169.2	**189.5**	81.1

31. Capital commitments

Group	**2020 £m**	2019 £m
Capital expenditure commitments contracted with third parties but not provided for at 31 December	**2.6**	2.7

The Company has no commitments as at 31 December 2020 (2019: £nil).

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 £185.7 million (2019: £264.1 million). At 31 December 2020, the fixed and floating rate borrowings under these facilities amounted to £75.8 million (2019: £131.4 million). The directors do not expect any loss to arise. These guarantees are defined as financial guarantees under IFRS 9 and their fair value at 31 December 2020 was £nil (2019: £nil).

State Aid investigation

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 Group 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 £14.2 million 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, IPF 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 made under the Charging Notice will ultimately be repaid, and therefore no position has been recorded in the Financial Statements.

As a separate issue, HMRC has initiated a review of the Group's finance company's compliance with certain conditions under the UK domestic tax rules to confirm whether the company is eligible for the benefits of the Group Financing Exemption which it has claimed in its historic tax returns. IPF believes that all conditions have been complied with and have sought legal advice with regard to the interpretation of the relevant legislative condition. The legal advice has confirmed IPF's view and assessed that, in the event that HMRC were to take the matter to Tribunal, it is more likely than not that the company would succeed in defending its position. In the unexpected event that HMRC were to conclude that the company is not in compliance with the conditions and to pursue the matter in Tribunal, and won, the amount at stake for years up to and including 2018 is £7.3 million. This domestic tax issue and the State Aid issue are mutually exclusive, and the UK legislation implemented in December 2020 and referred to above includes provisions to ensure no double charge to tax arises. It is of note that currently HMRC have simply asked for information and no challenge has been made to the company's filing position.

33. Related party transactions

International Personal Finance plc has various transactions with other companies in the Group. Details of these transactions along with any balances outstanding are shown below:

	2020			2019		
Company	**Recharge of costs £m**	**Interest charge £m**	**Outstanding balance £m**	Recharge of costs £m	Interest charge £m	Outstanding balance £m
Europe	**0.1**	**–**	**0.2**	(0.1)	–	0.1
Mexico	**–**	**7.1**	**–**	–	9.1	–
Other UK companies	**2.1**	**(1.0)**	**37.2**	4.8	3.5	80.6
	2.2	**6.1**	**37.4**	4.7	12.6	80.7

The outstanding balance represents the gross intercompany balance receivable by the Company. This balance has decreased during 2020 due to the repayment of a proportion of these intercompany loans.

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

This Annual Report and Financial Statements provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. To support this we have included a reconciliation of the APMs we use, where relevant, and a glossary indicating the APMs that we use, an explanation of how they are calculated and why we use them.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income statement measures			
Credit issued growth (%)	None	Not applicable	Credit issued is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Credit issued growth is the period-on-period change in this metric which is calculated by retranslating the previous year's credit issued at the average actual exchange rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results (constant exchange rates).
Average net receivables (£m)	None	Not applicable	Average net receivables are the average amounts receivable from customers translated at the average monthly actual exchange rate. This measure is presented to illustrate the change in amounts receivable from customers on a consistent basis with revenue growth.
Average net receivables growth at constant exchange rates (%)	None	Not applicable	Average net receivables growth is the period-on-period change in average net receivables which is calculated by retranslating the previous year's average net receivables at the average actual exchange rates used in the current financial year. This ensures that the measure is presented period-on-period reported results (constant exchange rates).
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous year's revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results (constant exchange rates).
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average net receivables and is an indicator of the gross return being generated from average net receivables.
Impairment as a percentage of revenue (%)	None	Not applicable	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business. This measure is reported on a rolling annual basis (annualised).
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is other costs divided by reported revenue. Other costs represent all operating costs with the exception of amounts paid to agents as collecting commission. This measure is reported on a rolling annual basis (annualised).This is useful for comparing performance across markets.
Pre-exceptional profit/(loss) before tax (£m)	Profit/(loss) before tax	Exceptional items	Profit/(loss) before tax and exceptional items. This is considered to be an important measure where exceptional items distort the operating performance of the business.
Pre-exceptional earnings/(loss) per share (pence)	Earnings/(loss) per share	Exceptional items	Earnings/(loss) per share before the impact of exceptional items. This is considered to be an important measure where exceptional items distort the operating performance of the business.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Balance sheet and returns measures			
Return on assets ('ROA') (%)	None	Not applicable	Calculated as profit before interest less tax at the effective tax rate divided by average net receivables. We believe that ROA is a good measure of the financial performance of our businesses, showing the ongoing return on the total equity and debt capital invested in average net receivables of our operating segments and the Group.
Return on equity ('ROE') (%)	None	Not applicable	Calculated as profit after tax divided by average opening and closing equity. It is used as a measure of overall shareholder returns.
Equity to receivables ratio (%)	None	Not applicable	Total equity divided by amounts receivable from customers. This is a measure of balance sheet strength.
Headroom (£m)	Undrawn external bank facilities	None	Headroom is an alternative term for undrawn external bank facilities.

Other measures			
Customers	None	Not applicable	Customers that are being served by our agents or through our money transfer product in the home credit business and customers that are not in default in our digital business.
Customer retention (%)	None	Not applicable	The proportion of customers that are retained for their third or subsequent loan. Our ability to retain customers is central to achieving our strategy and is an 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.
Employees and Agents	Employee information	Not applicable	Agents are self-employed individuals who represent the Group's subsidiaries and are engaged under civil contracts with the exception of Hungary and Romania where they are employees engaged under employment contracts due to local regulatory reasons.
Agent and employee retention (%)	None	Not applicable	This measure represents the proportion of our employees and agents that have been working for or representing the Group for more than 12 months. Experienced people help us to achieve and sustain strong customer relationships and a high quality service, both of which are central to achieving good customer retention. Good agent and employee retention also helps reduce costs of recruitment and training, enabling more investment in people development.

Constant exchange rate reconciliations

The year-on-year change in profit and loss accounts is calculated by retranslating the 2019 profit and loss account at the average actual exchange rates used in the current year.

2020 £m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customers (000)	**860**	**599**	**223**	**-**	**1,682**
Credit issued	**479.6**	**143.6**	**149.0**	**-**	**772.2**
Average net receivables	**468.4**	**102.5**	**206.7**	**-**	**777.6**
Revenue	**363.4**	**157.1**	**140.8**	**-**	**661.3**
Impairment	**(132.3)**	**(53.0)**	**(62.3)**	**-**	**(247.6)**
Net revenue	**231.1**	**104.1**	**78.5**	**-**	**413.7**
Finance costs	**(33.3)**	**(7.7)**	**(13.9)**	**(0.1)**	**(55.0)**
Agents' commission	**(50.7)**	**(21.3)**	**-**	**-**	**(72.0)**
Other costs	**(160.7)**	**(71.6)**	**(70.6)**	**(12.6)**	**(315.5)**
Pre-exceptional (loss)/profit before tax	**(13.6)**	**3.5**	**(6.0)**	**(12.7)**	**(28.8)**

2019 performance at 2019 average foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customers (000)	1,009	795	305	–	2,109
Credit issued	751.3	268.2	333.5	–	1,353.0
Average net receivables	562.0	164.4	260.2	–	986.6
Revenue	452.2	247.6	189.3	–	889.1
Impairment	(56.0)	(102.3)	(85.2)	–	(243.5)
Net revenue	396.2	145.3	104.1	–	645.6
Finance costs	(37.1)	(11.8)	(14.4)	(0.2)	(63.5)
Agents' commission	(51.1)	(29.9)	–	–	(81.0)
Other costs	(192.9)	(93.1)	(86.5)	(14.6)	(387.1)
Profit/(loss) before tax	115.1	10.5	3.2	(14.8)	114.0

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	(18.5)	(27.9)	(0.4)	–	(46.8)
Average net receivables	(15.0)	(16.8)	0.7	–	(31.1)
Revenue	(11.4)	(25.4)	0.4	–	(36.4)
Impairment	0.8	10.6	0.5	–	11.9
Net revenue	(10.6)	(14.8)	0.9	–	(24.5)
Finance costs	1.0	1.2	(0.1)	–	2.1
Agents' commission	1.4	3.0	–	–	4.4
Other costs	3.8	9.1	0.4	–	13.3
Profit/(loss) before tax	(4.4)	(1.5)	1.2	–	(4.7)

2019 performance at 2020 average exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	732.8	240.3	333.1	–	1,306.2
Average net receivables	547.0	147.6	260.9	–	955.5
Revenue	440.8	222.2	189.7	–	852.7
Impairment	(55.2)	(91.7)	(84.7)	–	(231.6)
Net revenue	385.6	130.5	105.0	–	621.1
Finance costs	(36.1)	(10.6)	(14.5)	(0.2)	(61.4)
Agents' commission	(49.7)	(26.9)	–	–	(76.6)
Other costs	(189.1)	(84.0)	(86.1)	(14.6)	(373.8)

Year-on-year movement at constant exchange rates

	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	(34.6%)	(40.2%)	(55.3%)	–	(40.9%)
Average net receivables	(14.4%)	(30.6%)	(20.8%)	–	(18.6%)
Revenue	(17.6%)	(29.3%)	(25.8%)	–	(22.4%)
Impairment	(139.7%)	42.2%	26.4%	–	(6.9%)
Net revenue	(40.1%)	(20.2%)	(25.2%)	–	(33.4%)
Finance costs	7.8%	27.4%	4.1%	50.0%	10.4%
Agents' commission	(2.0%)	20.8%	–	–	6.0%
Other costs	15.0%	14.8%	18.0%	13.7%	15.6%

Pre-exceptional return on assets (ROA)

Pre-exceptional ROA is calculated as pre-exceptional (loss)/profit before interest after tax divided by average receivables

2020	**European home credit**	**Mexico home credit**	**IPF Digital**	**Central cost**	**Group**
Pre-exceptional (loss)/profit before tax (£m)	**(13.6)**	**3.5**	**(6.0)**	**(12.7)**	**(28.8)**
Interest (£m)	**(33.3)**	**(7.7)**	**(13.9)**	**(0.1)**	**(55.0)**
Pre-exceptional profit before interest and tax (£m)	**19.7**	**11.2**	**7.9**	**(12.6)**	**26.2**
Taxation (£m)	**(16.8)**	**(9.5)**	**(6.7)**	**10.7**	**(22.3)**
Pre-exceptional profit before interest after tax (£m)	**2.9**	**1.7**	**1.2**	**(1.9)**	**3.9**
Average net receivables (£m)	**468.4**	**102.5**	**206.7**	**–**	**777.6**
Pre-exceptional return on assets (ROA)	**0.6%**	**1.6%**	**0.6%**	**–**	**0.5%**

2019	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Profit before tax (£m)	115.1	10.5	3.2	(14.8)	114.0
Interest (£m)	37.1	11.8	14.4	0.2	63.5
Profit before interest and tax (£m)	152.2	22.3	17.6	(14.6)	177.5
Taxation (£m)	(56.3)	(8.3)	(6.5)	5.4	(65.7)
Profit before interest after tax (£m)	95.9	14.0	11.1	(9.2)	111.8
Average net receivables (£m)	562.0	164.4	260.2		986.6
Return on assets (ROA)	17.1%	8.5%	4.3%	–	11.3%

Return on equity (ROE)

ROE is calculated as profit after tax divided by average net assets

	2020 £m	2019 £m	2018 £m
Equity (net assets)	**370.5**	436.4	433.0
Average equity	**403.5**	434.7	
(Loss)/profit after tax	**(53.3)**	71.8	
Return on equity	**(13.2%)**	16.5%	

Pre-exceptional earnings before interest, tax, depreciation and amortisation (EBITDA)

	2020 £m	2019 £m
Pre-exceptional (loss)/profit before tax	**(28.8)**	114.0
Add back:		
Interest	**55.0**	63.5
Depreciation (note 14)	**7.2**	8.5
Right-of-use assets depreciation (note 15)	**9.9**	9.1
Pre-exceptional amortisation (note 12)	**17.8**	14.8
EBITDA unadjusted	**61.1**	209.9
Non-recurring impairment	**52.1**	–
EBITDA adjusted	**113.2**	209.9

Financial calendar for 2021

3 March	Announcement of 2020 full-year results
29 April	2021 AGM
28 July	Announcement of 2021 half-year results

Dividend history

Details of previous dividend payments can be found on our website at www.ipfin.co.uk

Year	GBP	Ex-date	Pay date	Type
2019	0.046	05/09/2019	04/10/2019	Interim
2018	0.078	11/04/2019	10/05/2019	Annual
2018	0.046	06/09/2018	05/10/2018	Interim
2017	0.078	12/04/2018	11/05/2018	Annual
2017	0.046	07/09/2017	06/10/2017	Interim
2016	0.078	13/04/2017	12/05/2017	Annual
2016	0.046	01/09/2016	07/10/2016	Interim

Notes
The 2019 annual dividend was cancelled and no dividends were declared for 2020 as a result of the impact of the Covid-19 pandemic on the Group.

Dividends

Dividends can be paid directly into a shareholder's bank or building society account. This ensures secure delivery and means that cleared funds are received on the payment date. For shareholders that are resident outside the UK, dividend payments are made by Link's International Payment Service and are paid in local currency. The Company offers a dividend reinvestment plan (DRIP). A DRIP is a convenient and easy way to build a shareholding by using cash dividends to buy additional shares rather than receiving a cheque or having your bank account credited with cash. To receive more information, change your preferred dividend payment method, or if you would like to participate in the DRIP, please contact the Company's registrar, Link Asset Services.

Registrar

Queries relating to your shareholdings including transfers, dividend payments/reinvestments, lost share certificates, duplicate accounts and amending personal details should be addressed to the Company's registrar:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Telephone:

0871 664 0300 (calls are charged at the standard geographic rate and will vary by provider). If you are calling from outside the UK please call +44 (0)371 644 0300 (calls outside the UK 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.

Email:

enquiries@linkgroup.co.uk

Website:

www.linkassetservices.com

Go paperless

Shareholders can register for electronic communications by visiting the website at www.myipfshares.com.

Why receive information this way?

- Online access to personal shareholding information
- Ability to manage shareholding and personal details proactively
- Receive documents faster
- Helps save paper
- Savings on printing and delivery costs.

To register, shareholders will need their investor code, which is printed on correspondence received from Link Asset Services. This service will require a user ID and password to be provided on registration.

ShareGift

If you have a small shareholding in International Personal Finance plc and it would be uneconomical to sell the shares, you may wish to donate them to ShareGift (registered charity no. 1052686), which is an independent charity. ShareGift can amalgamate small shareholdings 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.

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 year's Annual Report and Financial Statements should be construed as a profit forecast.

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