International Personal Finance

Building a better world through *financial inclusion*

Annual Report and Financial Statements 2021

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2021 highlights

Effective rebuild strategy delivered strong performance

Customers ('000)

1,727

21	1,727
20	1,682
19	2,109
18	2,301
17	2,290

Credit issued (£m)

£982.1m

21	982.1
20	772.2
19	1,353.0
18	1,360.6
17	1,301.5

Closing receivables (£m)

£716.8m

21	716.8
20	669.1
19	973.6
18	992.8
17	1,056.9

Profit before tax (£m)

£67.7m

21	67.7
20	(40.7)
19	114.0
18	109.3
17	105.6

Earnings per share (p)

18.8p

21	18.8
20	(28.9)
19	32.2
18	33.8
17	20.2

Dividend per share (p)

8.0p

21	8.0
20	–
19	12.4
18	12.4
17	12.4

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 121, a reconciliation of the APMs we use where relevant and a glossary on pages 160 to 161 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 2021 in order to present the underlying performance variance.

International Personal Finance plc (IPF)

Company number: 6018973.

Our customers turn to us to fulfil their plans when it really matters. They are looking for a trusted partner to provide simple, convenient and affordable products. As a group of people who are often financially excluded, we play a vital role in their lives by responsibly providing unsecured credit and a variety of tailored insurances to help them and their families.

An international provider of consumer finance

We are a responsible provider of affordable consumer finance serving customers through two business models – home credit and digital. We also offer great value home, medical and life insurances. We play an important and necessary role in society, helping people who have low to medium incomes and a limited credit history access the mainstream financial system. Our transparent loans and revolving credit facilities are unsecured and tailored to meet our customers' personal needs and financial circumstances.

A robust investment proposition

IPF creates long-term value beyond profit and returns by striving to have a positive effect on all our stakeholders. Our history of growth and innovation has successfully helped meet the credit needs of over 14 million customers, created genuine career opportunities for our people to develop and grow, and generated more than £1 billion of profit[1] in the past decade.

1.7m
customers

Highly responsible and financially inclusive

A specialist market-leading lender, offering a growing sector of underserved consumers access to regulated credit in a responsible way and at a fair, transparent price.

33%
credit issued growth

Substantial opportunities for long-term growth

Increasing demand, a scalable, leading-edge digital business and new products and distribution channels offer attractive, sustainable growth prospects.

10.2%
impairment as a percentage of revenue

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 strategic objectives.

51.2%
equity to receivables

Strong financial profile

Highly cash and capital generative business with a robust balance sheet and strong funding position, which provide a solid foundation to support long-term growth and a progressive dividend policy.

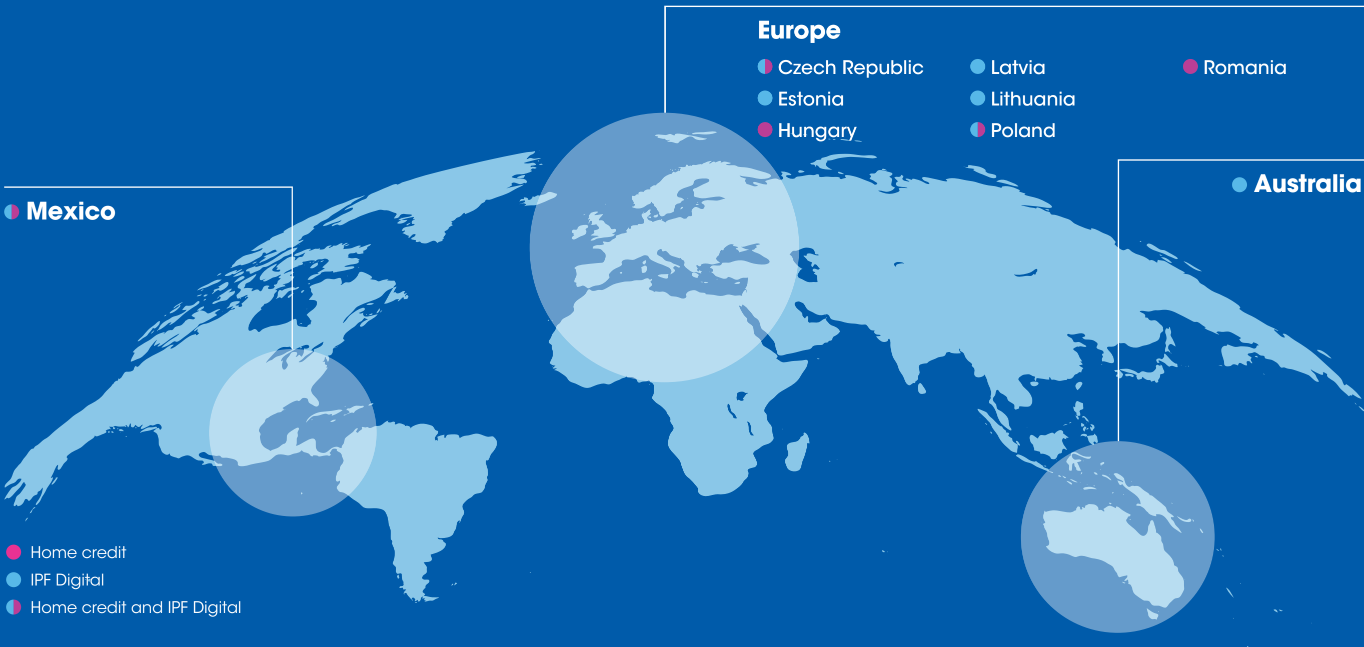
200+
years of financial services experience within the Board and senior leadership team

Experienced management team

Purpose-led and values-based organisation, led by highly experienced and proven team with deep industry knowledge.

1. Profit before tax and exceptional items.

Geographically diversified business models evolving to meet changing consumer needs



Home credit

Our home credit customers often have low, fluctuating incomes or a limited credit history meaning they may find it difficult to access finance from banks or digital lenders. They are looking for small loans with transparent costs and affordable repayments, to help them manage the ups and downs of their budget or to help run their microbusiness. Our customer representatives, who visit customers at home, understand their personal circumstances and needs in a way that is not possible for remote lenders. Our loans are priced fairly and we reward loyal, high-quality customers with preferential pricing and discounted offers. We also operate a 'low and grow' policy, only increasing credit offers to those with a proven repayment history and, unlike other providers, late payment fees are not a core revenue stream.

Products and features

- Cash loans with customer representative service
- Money transfer loans direct to customer bank account
- Microbusiness loans
- Home, medical and life insurances
- Weekly and monthly repayments
- Typical loan value £500 repaid over 14 months

Europe

Poland, Czech Republic, Hungary and Romania

810,000 customers

£285m revenue

Mexico

654,000 customers

£146m revenue

IPF Digital

Our digital customers are looking for an affordable, end-to-end digital service from a speedy application and decision for credit, to being able to manage their finances online at any time. They generally have medium incomes and an existing credit history which enables them to borrow remotely. Our consumer-focused, leading-edge lending platform enables customers to apply for and manage their finances in a way that suits their lifestyle, whether that's on their mobile, tablet or PC. Customers can choose from a range of innovative products, from open-ended revolving credit lines to our mobile wallet which features online payment transactions and value-added services offering a competitive advantage within our customer segment.

Products and features

- Revolving credit line products
- Mobile wallet including online payment features
- Instalment loans with terms up to three years
- Flexible repayment schedules
- Average credit line principal outstanding £800
- Customers served online and through sales partners

Established markets

Estonia, Latvia and Lithuania

95,000 customers

£48m revenue

New markets

Poland, Australia and Mexico

168,000 customers

£70m revenue

Conducting business responsibly

"I remain excited about our reason for being, or purpose, which is to offer people with modest or intermittent incomes access to loans and insurance in countries where banks will rarely consider them. Our many checks and surveys assure us that our offering in all our markets is professionally provided, transparent and fairly priced."

Stuart Sinclair
Chair

My first full year as the Chair of IPF was as full of surprises as my early months, but I am very pleased to say the Group is healthy, growing and remains intensely relevant to the needs of millions of people across the world. I would like to start by saying thank you to all our colleagues for what they have achieved during extraordinary times. Elsewhere in this report, my colleagues discuss our continuing recovery from the pandemic and return to financial health, not least marked by the resumption of dividends, the work we do with colleagues and the positive outlook for the future. Here, I shall focus on the themes the Board examined and contributed to as part of its governance remit in 2021, many of which will continue in future years too.

First is our quest to fulfil our purpose of building a better world through financial inclusion, and ensuring strategic relevance – in other words, being sure that from Mexico City to Warsaw and Sydney to Bucharest, we offer solutions which are affordable, properly explained and fit our customers' budgets. I will call out five aspects which the Board has reflected upon and together, we think of these as the health of the business.

1. Data gathered on our customer representatives' attitudes to their work and their view of customer satisfaction shows, tellingly, an 84% "pride ratio". They believe that what we provide is vital, valued and good value. Of all the extensive compliance, internal audit and risk assessments we carry out as a regulated firm, this measure is my favourite. It's an unfiltered index of the integrity of what we do.
2. Some lenders are said to be expensive or poor value. I don't believe that to be true of our business. One very arresting fact is that we have around one million customers who purchase insurance from us because we are by far the least expensive provider in their countries and for some the only accessible option. The Board monitors claims ratios closely to keep ourselves assured that customers choosing our insurance are better protected as a result of the products we provide.
3. We have significant growth potential within our existing footprint via product and brand extension, and we are expanding our hybrid services which blend a mix of home credit with digital services. There is also growing demand for credit from our customer segment, and recent data confirms we remain relevant to consumers' needs.
   - We now attract younger and often more affluent consumers suggesting that our offering and the increasingly popular hybrid ways of doing business, are attractive to a new generation. This demonstrates the elasticity in a set of brands that we have nurtured over many years.
   - The way new customers like to deal with us is increasingly digital. We are evolving from a provider of cash to consumers into a variety of modes, increasingly digital, but always at a pace set by the customer. The successful roll out of our MyProvi app gives our representatives extensive digital capability while visiting customers, and underpins a seamless and fast service to our home credit customers.
4. We like the way that our home credit customer representatives are incentivised. Most of their reward is paid in line with the money they collect, not the loan value they originate, which means they are always focused on affordability when they offer credit. A household which cannot afford to repay their loan from the outset is one where our customer representative has served no purpose, and certainly not one which we benefit from: almost uniquely in the lending industry, we do not rely on penalty income to enhance our financial results and we prefer to work with our customers to get them back on track, rather than increasing their overall commitments.
5. Risk management and handling challenges obviously also fall to the Board, assisted by the Audit and Risk Committee and the executive risk teams. We have to protect the funds entrusted to us by shareholders and bondholders, and we must ensure that the operational risk inherent in managing large, complex operations and IT projects across multiple jurisdictions, are well controlled.

Taken together, I believe the Board has sought out and seen evidence which confirms the vitality and value of our offer across all our businesses.

Successfully executing on strategy

Shareholders are vital in our stakeholder mix, and I am delighted to report excellent growth and a strong financial rebound, demonstrating the successful execution of our rebuild strategy. We delivered a £108.4 million swing in profit before tax to £67.7 million with all divisions contributing to this excellent performance. Considering this performance, balance sheet strength and growth outlook, the Board is recommending a final dividend of 5.8 pence per share, bringing the full-year dividend benefit to 8.0 pence per share. We continue to stay in touch closely with shareholders and value the engagements we have throughout the year.

Our purpose

Building a better world through financial inclusion.

Our strategy

Guided by our purpose, our strategy leverages our market leadership and excellent execution to generate strong returns, whilst making significant customer-driven investments in our future.

See pages 21 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, underpinning everything we do.

People and stakeholder engagement

Our Workforce and Stakeholder Engagement director, Bronwyn Syiek, continues to provide the Board with valuable insight into the opinions, wellbeing and concerns of colleagues. Our Care Plan, which was designed specifically to support the wellbeing of our people and their families during the pandemic, has made a material difference to the wellbeing and confidence of thousands of colleagues - this has been crucial given the continued changes in the way we worked during the pandemic. The Board has furthered its work on stakeholder engagement, more of which is covered on pages 36 to 45.

Purpose and ESG

Our purpose encompasses all aspects of ESG and drives our actions to ensure that our business is responsibly run and sustainable. On our social impact, we provide a service which is unusual, vital but difficult to fulfil. Indeed, when I visited some customers' homes in Budapest earlier this year I was struck by the sympathetic and professional way our customer representatives deal with people seeking transparent borrowing options and explaining the obligations they are taking on. During 2021, we also developed our climate change road map to support the disclosures recommended under the Task Force on Climate-related Financial Disclosures and enhanced the Group's environmental strategy.

Board changes

Richard Moat and Cathryn Riley stepped down from the Board in April and Justin Lockwood, CFO, left the Group in July. I would like to thank all three for their significant contribution and wise counsel. Richard Holmes was appointed Senior Independent Director and Chair of the Audit and Risk Committee and Deborah Davis chairs the Remuneration Committee – both of whom are proving to be worthy successors. I am also delighted that in April we will welcome Gary Thompson as CFO. The Board has a good level of diversity by gender and background, comprising individuals who have worked in at least three countries each, are very familiar with life in middle-income countries, and have strong technology exposure. I believe it is a Board well suited to the tasks ahead.

Outlook

The pandemic has illustrated the essential role our business plays in helping underbanked and underserved communities around the world. Despite continuing uncertainty ahead, serving customers during their good and more challenging moments, as we have done for the past 25 years, will ensure we generate further sustainable returns for shareholders and make a positive contribution to our colleagues, communities, business partners and other investors.

Stuart Sinclair
Chair

Playing a key role in financial inclusion

Credit market structure

A greater need for financial inclusion

Without the ability to be a part of the regulated financial system, people find it difficult to save, obtain fair-priced credit or start a business. Access to regulated credit and insurance products can help individuals and families plan for upcoming events, deal with unexpected emergencies, help expand a microbusiness and seek peace of mind with health and life cover – all of which can contribute to the quality of their lives.

It is estimated that 1.7 billion people worldwide are unbanked and as such excluded from day-to-day financial services. These consumers may not be well served by the financial services sector for a number of reasons:

- They work hard but their income is difficult to verify.
- They have never borrowed before and have no formal credit history.
- They have defaulted on a credit agreement in the past resulting in a damaged credit history.
- They do not have a bank account.
- They lack internet access excluding them from digital services.
- They live in a rural area and access to a bank is difficult.
- The amount they wish to borrow and their repayment schedule is not of interest to a bank.

How we are making a better world for our stakeholders

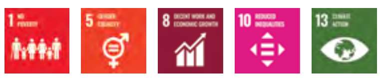
1 Providing access to regulated credit in a responsible way, when it really matters. We give consumers with low to medium incomes a much better alternative than the unregulated "grey" market.

2 We start the process for mainstream financial inclusion for underserved consumers

3 Our positive social contribution extends to the wider economy. Our customer representatives have a sense of pride in being connected to people in their communities and helping them obtain regulated credit. We also provide exciting career opportunities for our colleagues, invest in and support our communities, innovate with supplier partners to deliver growth and, as a responsible taxpayer, we believe in contributing our fair share to society in the markets in which we operate.

Working towards fulfilling the UN's Sustainable Development Goals (SDGs)

Enabling people to be part of the regulated financial system and create a credit footprint makes an important contribution towards tackling poverty, improving inequality and achieving some of the United Nation's SDGs. A key part of our ESG journey is our intention to align with a number of the UN's SDGs from 2022 onwards, demonstrating how our purpose, business strategy and people contribute to these important goals.



Connecting our customers to *accessible credit*

Providing the help for the things that matter most

Elena is a mother of three children who works hard as an EU funding consultant and accountant in Romania. Our loans have helped her overcome short-term financial problems and also invest in her children's education. With a very limited credit history, Elena first chose to take a loan with us when she urgently needed to repay a gas bill that she hadn't been able to cover. She recently returned for a loan to support her children's education, helping to prepare for the new school year and pay for school trips, something Elena sees as an investment in their future. "Many people say these are costs but, from my point of view, they are an investment if you do something good with the money."

51%

of home credit customers choose to return to us within 36 months of taking their previous loan

A trusted, responsible lender

We pride ourselves on being a responsible, ethical and trusted lender. This approach starts with putting the needs of our customers at the centre of everything we do. Our customers trust and partner with us to help them access credit and we do this in a supportive and fair way. This understanding approach is central to building strong, lasting and personal relationships with each of our customers. They appreciate our personal service, open conversations and respect, especially when their circumstances change and they need some flexibility with their repayment schedule.

Responsible lending principles

Behaving ethically and lending responsibly are core to the sustainability of our business model, and are embedded in everything we do, from strategic decision making and product design to the millions of credit checks and everyday interactions we have with customers each year.

Advertising and marketing

We advertise our products in a clear, jargon-free manner on TV, radio and online, complying with the appropriate information requirements and advertising ethics codes in each market.

Affordability

We thoroughly assess a customer's ability to repay the loan through customer representative visits, credit bureau checks, application and behavioural scorecards and advanced 'Know Your Customers' tools. We won't offer a loan to a customer if we think they will not be able to afford the repayments.

Product suitability

We provide customers with products that are best suited to their needs, adjusting prices and credit terms to ensure affordability.

Pricing

We offer customers fair and transparent pricing with loyal, high-quality customers offered preferential pricing and discounted products. 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, uphold their right to confidentiality and have robust processes to ensure data protection security. We select and train our customer representatives to serve customers to a high standard.

Collections and debt recovery

We collect loan instalments responsibly and at a time to suit our customers. We do what we can to avoid affecting a customer's credit history adversely, and in the case of external debt recovery we only engage with reputable agencies.

Home credit customer journey

1 Attracting customers

- Word of mouth recommendations
- Targeted advertising on TV, radio and online
- Repeat lending offers
- Visits by customer representatives

2 Loan request

- Simple and straightforward application
- Decision in principle through a customer representative, online or hybrid offer
- Transparent costs and terms
- Personal customer relationships support access to credit

3 Credit scoring

- Thorough affordability and creditworthiness assessments
- Application and behaviour scorecards, supported by variety of 'Know Your Customer' solutions
- Help build credit score to access future credit

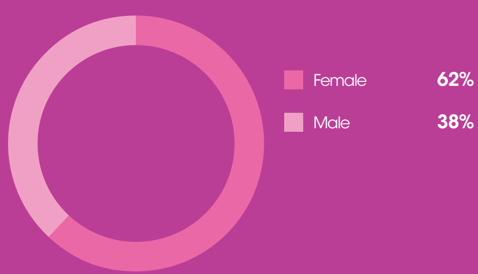
4 Loan issued

- Cash loan delivered to customer's home or bank account

5 Repayments and managing arrears

- Strong customer relationships support regular repayments
- Affordable payments via customer representative, bank transfer and pay links
- Flexible in forbearance, respectfully understanding the customer's circumstances
- Customer representatives paid commission primarily on collections

Gender of our home credit customers



Connecting our customers to *accessible credit*

Providing opportunities to build businesses and support livelihoods

With an ambition to be successful, Norma used a loan from Provident to invest in starting her small business in Mexico. She had considered other financial institutions offering group credit but was keen to take out an individual loan in her name alone. We were able to arrange a transparent and affordable loan which has helped Norma to develop her microbusiness and grow more quickly. As Norma explains: "With the loan from Provident, my business has advanced and grown, and everything is going well."

How customers use their loans

- Smoothing the weekly budget and unexpected expenses
- Healthcare
- Household appliances and repairs
- Family celebrations and education
- Developing their microbusiness

£500

typical home credit loan

Connecting with our customers through *technology*

Accessing credit online was fast and flexible

Inga is an IPF Digital customer who works in a Covid hospital ward in Lithuania. Over the years, there have been occasions when she faced unexpected expenses and it's at these times that her Credit 24 credit line proved to be the crucial helping hand she needed. Inga found IPF Digital's services simple and straightforward, explaining that as soon as the funds were required, she simply tapped into her account and immediately drew down against her pre-agreed credit limit, borrowing the exact amount to pay for the things she needed. Inga always tries to pay the full repayment due, and this supported her most recent application for a credit line upgrade which provides a larger credit facility to help out in future.

How customers use their loans

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

68%

of IPF Digital customers using our credit line offering

IPF Digital customer journey

1. **Attracting customers**
   - Digital marketing and traditional media
   - Customer relationship management activities
2. **Loan request**
   - Simple and straightforward application
   - Transparent costs and terms
   - Online or via sales partners including online brokers and comparison sites
3. **Credit scoring**
   - Rapid credit scoring and thorough affordability checks
   - Credit bureau
   - Internal databases and statistical models
4. **Credit issued**
   - Money transferred to bank account
   - Customer notified by text on transfer
5. **Repayments and managing arrears**
   - Active communications process to encourage repayment
   - Flexible and affordable repayment schedules
   - Final demand at 60-90 days past due

Providing a service tailored for our customers

The way we serve our customers is tailored to meet their unique personal needs and financial circumstances.

Personal service: Our personal face-to-face relationships with home credit customers distinguish us from most other financial services providers, and deliver customer satisfaction, retention and growth. This regular contact helps customers to stay on track with their repayment schedule. We are also in regular dialogue with our digital customers whom we reach across a range of digital channels. Knowing our customers so well helps us to make better affordability assessments, thus allowing us to approve more loans, further supporting financial inclusion.

Responsible and inclusive: Our strict affordability checks made every time we grant credit, ensure that customers do not take on debt they cannot afford. We support our customers' credit journey by initially lending smaller amounts over shorter periods of time. As they prove their ability to repay their loan, they build a positive credit history with us and the credit bureau, thus enabling more credit choice in future including larger loans, longer terms and access to new digital products. In our home credit business, our customer representatives are rewarded primarily on collections so it is in their interest to lend prudently. In addition, all colleagues undertake annual ethics training to ensure our business conduct and relationships are of the highest standards.

Forbearance flexibility: When a borrower faces difficulty in repaying their loan, we take a sympathetic, flexible approach to rescheduling repayments or we can offer a payment holiday if appropriate until they get back on track.

Improving our customers' credit profile

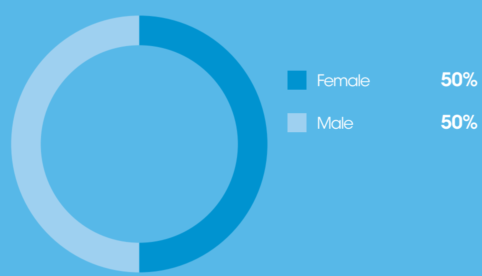
We are creating a flexible path for customers to journey between our home credit and digital offerings, if their financial circumstances and credit history allow. We are in the unique position to offer a human touch to the credit assessment process through our home credit service which is particularly well-suited to those new to credit or with a damaged credit history. We see that, over time, we can help good paying customers build a credit history that may open the door to remote digital credit, or a hybrid service, tailored to their needs.

We now provide home credit alongside digital credit in three markets – Poland, the Czech Republic and Mexico. For those applying for digital credit but whose credit history precludes this, we can offer to complete their application with one of our representatives. This enables these customers to access the credit they were looking for and supports our efforts to secure their custom. We have also started to enable some of our customer representatives to support digital customers with repayment difficulties, by helping them get back on track before returning to a remotely repaid loan. We intend to extend these benefits to more customers as we introduce digital offerings in Hungary and Romania.

£800

average outstanding credit line principal

Gender of our IPF Digital customers



Being a responsible business is important to us

We have always had a great sense of purpose, providing credit to underserved consumers in a way that is responsible and sustainable. But where are we going from here? We are on a journey to evolve the business: to balance the value we create for our customers, colleagues and the communities where we live and work; and to balance sustainable, profitable growth with the positive contribution we deliver to society through all our stakeholders, today and into the future.

Our purpose journey

In taking steps to strengthen ownership of our purpose and ensuring the long-term sustainability of the business, we undertook an extensive engagement exercise in 2021. We listened to all our stakeholder groups to understand why IPF – and our credit brands – matter to them. Our conversations with customers and colleagues as well as members of our regulatory, community and investor audiences helped us develop the statements on page 13, which are how we will remind ourselves to consider all our stakeholders equally and will act as a guide to balance their interests in everything we do.

We're now building on all the great things our business stands for and, reflecting on what our purpose means to our stakeholders, we will continue our journey of improving our day-to-day work from how we serve customers and design and market products, to the way we make decisions, treat each other and support our communities. We are also starting to look at how we will monitor and measure purpose to make it tangible, calculate returns and improve or maintain key performance indicators.

What makes us proud

Our ability to serve low-income customers responsibly through a personal connection

Thorough affordability checks, fair pricing and transparent agreements

Being flexible and understanding if customers have difficulties making repayments

Care for our customers is reflected in our strong Net Promoter Scores

Customer representatives reward is aligned to our customers' ability to repay

Our colleagues demonstrate our high ethical standards in their daily interactions

We are actively engaged in the communities we serve

What our *purpose* means to our stakeholders

Our people

We aim to support our colleagues to be **proud** of the work they do and ensure they understand and act within our values, ethics and standards of behaviours.

Our customers

We want to help people fulfil their plans by providing **access** to simple, personal and regulated financial solutions when it really matters.

We want our customers to feel they are treated as a **partner** in a fair and transparent way by a company they can trust and rely on.

We want our customers to receive an **individual approach** to the loan they take and **flexibility** when they face unexpected events.

We want our customers to receive **affordable products** at a fair price, with terms and conditions that do not overburden their personal budgets.

Our communities

We want to make a **positive contribution** to our communities and the environment.

Our investors

We want to deliver **good returns** that reflect the ethical and responsible management of our business.

A resilient, sustainable and responsible business model

Relationships

Customers

Trusted, personal relationships help us understand our customers and design credit offerings that meet their changing needs in a responsible, affordable and sustainable way.

Colleagues

Motivating talented employees and customer representatives who are committed and proud to serve our customers and deliver on our strategy.

Regulators and legislators

Regular open dialogue with regulators and legislators builds their understanding of our customers' needs and our essential role in society.

Suppliers

Collaboration with partners who embrace our values and help our business grow, improve efficiency, develop sustainable processes and enhance performance.

Communities

Our customer representatives live and work in the communities they serve, building positive relationships with customers and providing unique insight into the needs of our communities.

Investors

Relationships with our shareholders and funding partners help us maintain a strong financial profile and invest for the long term.

What we do

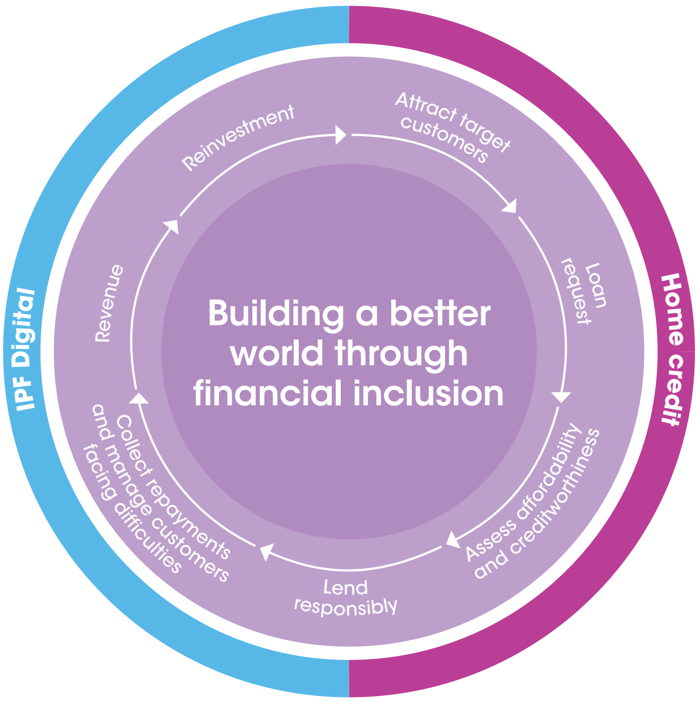
We play a valuable role in society by helping underserved consumers gain access to affordable financial products and services that meet their needs, delivered in a responsible and sustainable way.

Home credit

IPF Digital

What makes us different

We are the only business to offer home credit and digital credit options. We are inclusive of those customers who are underserved by other lenders, and our long-held expertise enables a tailored, personalised approach including close customer contact, careful affordability assessments, responsible and regulated lending practices together with simple, flexible products tailored to our customers' needs.



Our values

We are responsible • We are respectful • We are straightforward

We provide small-sum cash loans to those on lower incomes and our customer representatives have high levels of contact with their customers to help them stay in control of their loans. 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 customer representative infrastructure, is extremely difficult to replicate, and takes years of experience to manage effectively.

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, transparent and flexible products with a seamless customer experience journey. Our consumer-focused lending platform and agile infrastructure supports the growth potential of this highly scalable business.

How we create value

Our strategy aims to address our stakeholders' expectations and create long-term value beyond financial performance by lending responsibly while managing the business effectively. Our credit offering and approach to doing business optimises value for our customers, colleagues, investors and society at large. This fits with our purpose to build a better world through financial inclusion.

What we rely on

Talented people

Our ability to serve our customers relies upon having highly engaged, skilled and knowledgeable colleagues who adhere to our values and ethics. Our global team have outstanding capabilities and are the most important ambassadors of our good reputation.

Technology

Our agile approach and scalable technology is fundamental to remaining at the forefront of digital lending, making robust credit decisions, driving efficiency through digitisation of traditional processes and communicating with our colleagues. Leveraging data capabilities will continue to unlock significant opportunities.

Strong financial profile

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

Value we create

Customers

Giving access to affordable credit helps customers buy the things they need and build a credit history.

1.7m

customers

Employees and customer representatives

Motivating colleagues to serve customers well, develop new skills and achieve exciting careers.

22,000

people across the business

Regulators and government

Providing consumers with access to regulated credit and complying with the regulations in all our markets.

55

sector association memberships

Suppliers

Developing and deploying innovation to grow our business and improve efficiency.

10,500

supplier partners supporting IPF

Communities

Enabling financial inclusion, supporting community initiatives, providing careers and paying taxes.

£141m

total tax contribution*

Investors

Generating good returns, delivering growth responsibly and capturing market opportunities.

£18m

dividends proposed to shareholders

* Comprising £81 million taxes paid (representing a cost to the Group) and £60 million taxes collected on behalf of governments such as payroll taxes and employees' social security contributions.

Market trends and opportunities

We continually monitor the market environment to identify emerging trends and anticipate changes that could be helpful or disruptive to our business. We use these valuable insights to help shape and adapt future strategic action, tailoring our response to the challenges and opportunities available to us.

Market trend

1 Good demand for consumer credit

Related principal risks

7 10

2 High levels of competition

Related principal risks

2

3 Digital innovation continues to drive growth

Related principal risks

2 4 6 10

4 Regulation

Related principal risks

1 3 7

Market trend highlights

Our response

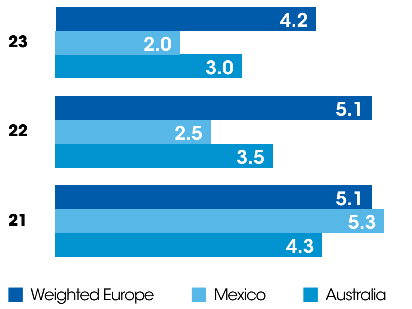
- Consistent signs of regrowth in demand in 2021.
- Significant long-term demand for affordable credit from our target consumers.
- Short-term demand and consumer confidence correlated with pandemic restrictions being imposed and lifted.
- Significantly improved GDP outlook, though inflationary and employment headwinds could disrupt economic activity.
- Market recoveries expected at different paces.

Selectively relaxing credit settings to return towards pre-pandemic levels, all based on local market conditions.

We will continue to develop customer choice by increasing our digital and mobile options, broadening price options offered to customers and increasing the channels through which customers can access our credit products.

1. Source: European Commission and HSBC quarterly economic updates

GDP forecasts (%)[1]



- The consumer finance sector remains very competitive across all our countries.
- Marketing investment increased as largest lenders sought to regain lost sales and rebuild portfolios.
- Increase in point of sale (POS) 'buy now pay later' attracting younger customers than our typical home credit demographic.

As Covid-related restrictions eased, we started to invest more in advertising our offers to customers. In many countries where there had been temporary reductions in price caps, we gradually started to return our pricing to more normal levels, but being mindful all the time of our customers' affordability thresholds. We are also starting to work with retailers where our customers shop, with a view to making finance available at the point at which they want to purchase goods.

Key competitors

- Banks
- Digital lenders
- Home credit
- Credit unions
- Pawn brokers
- Point of sale finance
- Payday lenders

- The pandemic accelerated online shopping trends and consumers' desire for remote lending.
- Growing trend for personalisation driving the best financing solutions.
- Consumers expecting a frictionless customer experience.
- Growth in partnerships to serve finance in an increasingly digital, interconnected world.

We are growing our digital lending capacity. Our mobile wallet is unique to our target segment of consumers and we will expand this offering into new markets. We are leveraging digital technology to improve the customer experience and create a seamless, integrated customer journey. Quality home credit customers are also being given the opportunity to migrate to digital offerings (including hybrid options) as they improve their credit standing.

$60bn

estimated European mobile wallet market size by 2026

Source: Market Insights Report 2021

- Most temporary rate caps and moratoria introduced during the pandemic expired in 2021.
- Regulators and legislators remain focused on the consumer credit sector with affordability, responsible lending and fair pricing key areas of interest.

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 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.

Areas of interest

- Price
- Affordability
- Responsible lending
- Financial inclusion
- Regulatory compliance

Link to risk

1 Regulatory
2 Competition and product proposition
3 Taxation
4 Technology and change management
5 People
6 Business continuity and information security
7 Reputation
8 Safety
9 Funding, market and counterparty
10 Credit

A year of regeneration

"Our colleagues delivered fantastic performances around the world, leading to excellent growth and a renewed belief in the essential role our business plays in society."

Gerard Ryan
Chief Executive Officer

How would you sum up 2021?

2021 was a year of regeneration for IPF, with fantastic performances from our colleagues around the world, leading to excellent growth and a renewed belief in the essential role our business plays in society. At the same time, I want to acknowledge that it was not always easy. We lost a number of colleagues to Covid, and each of these losses touched us personally. Our business is built around people who have a common belief in what we bring to our customers' lives, and I therefore wanted to mention the impact on our colleagues up front. We also took the difficult decision to cease lending to customers in Spain as it became clear the regulatory environment meant it was no longer possible to make an acceptable return for our shareholders.

We launched our phased 'Return to Growth' plan during 2020 in response to the pandemic, and I am extremely happy with how we have executed against that plan over the past 18 months. We are now firmly back in growth mode, with strong portfolio quality, low impairment, and robust control on costs reflected in our profit before tax for the year of £67.7 million. These results, strong balance sheet and very positive outcome led to the resumed dividend payments to our shareholders.

What other strategic highlights were there?

Investors will have heard us talking about offering a hybrid service aimed at serving customers who fall between a full home credit service and a digital credit offering. We made great progress and have developed profitable digital and hybrid customer journeys in Poland, which we plan to replicate across the rest of the European home credit businesses. We also identified synergies between our home credit and digital businesses in Mexico to improve referrals and create a hybrid sales channel. We obtained an e-money institution licence which will enable the roll out of our mobile wallet product in Europe, and established our first retail point of sale partnerships in Romania and Mexico.

Thinking about your customers, what differentiates IPF?

While the impacts of the pandemic on IPF have been very serious, I cannot think of any other circumstances that would have allowed us to showcase so positively the essential role our business plays in helping underbanked and underserved communities around the world. Throughout the pandemic and even during freedom of movement lockdowns, we were able to continue to serve our customers and help them in the most difficult of times.

Once international travel restrictions were lifted, I got on the road and visited our businesses, to spend time with our front-line staff and thank them personally for their dedication. The stories of the lengths our colleagues went to assist their customers during lockdowns, made me feel proud and humble in equal measure, to be part of such a great team.

Our purpose is to build a better world through financial inclusion, and everything I have seen my colleagues do to help our customers confirms for me that we are on the correct path to contribute to this goal.

What actions did you take to effect such a positive turnaround in the business performance?

Undoubtedly, the key to our business resurgence lies in the fact that we put our people and our customers at the heart of our strategy during the past 18 months. Once we were satisfied that we had the appropriate protocols, training and equipment in place to protect our colleagues, we set about rebuilding the business at a pace appropriate for the circumstances in each of our markets. Having reduced our sales to a third of our normal run-rate, we slowly eased our credit settings as our collections performance proved robust and sustainable.

We are now operating at close to our pre-pandemic credit settings, with some exceptions where local circumstances require an extra level of prudence. Having returned to growth mode, we are investing more in front-line activities, especially marketing, but with a tight rein on other costs we have retained the bulk of the savings generated through our rightsizing exercise in 2020.

With a strong rebound in 2021, where do you see growth coming from in the year ahead?

Between July and November, we saw a strong desire from our customer segments to obtain credit as their lives returned to something approaching pre-pandemic norms. Towards the end of the year, however, it became clear that with the latest variant of Covid beginning to concern most countries, customers once again started to be more conservative in their borrowing and spending activities, and we saw this reflected in slightly reduced demand for credit.

My view on this however is positive, as it clearly indicates that as economies return to some semblance of normality, our services will most certainly be required by our customers. I expect to see our European home credit business continue to be the engine of the Group in 2022, with credit issued growth in the high single-digit percentages in the next 12 to 18 months. I see our Mexico home credit and IPF Digital businesses delivering good double-digit growth this year and continuing to offer very exciting long-term significant growth opportunities.

We are mindful that renewed customer demand will not come to us as a matter of right, and we are investing smartly in technology and product innovation to ensure that our offers and customer journeys are attractive enough to maintain our leading position in the particular customer segments we serve.

How important are employees to the execution of your strategy and purpose?

As I mentioned earlier, our colleagues are at the heart of everything we do. Their desire to help their customers is undoubted, and I saw it personally in every interaction I had with them as I started travelling again from September. Throughout the year we have been working on making our purpose real. When I spoke with our customer representatives about the idea of building a better world through financial inclusion, It was really instructive for me when they looked at me in some surprise, as if to say, this is what we do every day! They may not use the exact words, but there is no doubt that our team is a force for good and they believe in the work they do. It is hard not to be hugely enthused when working with colleagues with such faith. What I took from these conversations is also reflected in the findings of the much broader engagement we undertook during the year as we looked at purpose through the eyes of all our stakeholders, particularly those who meet our customers.

It seems the regulatory backdrop has been relatively quiet. Do you think this will continue?

Actually, throughout the pandemic period, the regulatory environment has been constantly changing, with temporary regulations brought in by multiple governments to help consumers. All these measures have now expired, with the exception of the moratorium in Hungary, which is due to expire in June 2022.

As planned, the EU commenced a review of the Consumer Credit Directive, which we expect will conclude by the end of 2022. In Romania, we expect to see a form of rate cap introduced in the coming months. This has been debated widely and we have been engaged in the discussions. In Poland, there is a renewed move by some politicians to amend certain aspects of the current consumer finance regulations, in particular a proposal to reduce the existing Total Cost of Credit cap. We are engaging with all major

Spotlight on.....People

Our ability to serve our customers well relies on having highly engaged and skilled colleagues who adhere to our values and ethics. Our global people strategy focuses on three strands – Care, Perform and Develop.

Care

Ensuring that our people feel safe and valued lies at the core of what we do. Our Global Care Plan prioritises their safety and wellbeing and in 2021 we extended its scope to ensure that, despite sometimes being physically distanced, we maintained the same levels of engagement and collaboration that we have always enjoyed. Maintaining these critical aspects of our culture has undoubtedly helped us to regrow the business. This was also borne out by the findings of our Global People Survey, where we experienced a very high response rate and strong positive feedback – which demonstrates that our teams are invested and passionate about their work.

Perform

Maintaining customer relationships is underpinned by our strategy to increase the stability and engagement of our customer representatives. Throughout 2021, we spent a significant amount of time engaging with our customer representatives to understand their working experience. As a result, we will make a number of changes in 2022 to build out our employer value proposition and enhance our ability to retain top performers and attract the best external talent.

Develop

We strongly promote a learning environment where colleagues are motivated to enhance their skills, knowledge and capabilities to perform better, develop resilience and achieve a deep sense of pride in their work. As part of our talent planning and people development programmes, we developed new global learning paths for customer-facing roles and hosted our first week-long learning festival.

Read more on people engagement on page 41

Spotlight on.....Digitisation

Digital transformation lies at the heart of our strategy to meet the changing needs of customers and lay the foundations for longer-term growth. Through digital technology, we are adapting our business and processes to give customers a better experience with more personalisation, enabling better decision making and delivering efficiencies.

We made significant progress on becoming more digitally enabled in 2021:

- Introduced online identity verification, significantly reducing the speed of lending decisions and accelerating the delivery of home credit loans.
- Extended the roll out of our mobile wallet in Latvia to attract new customer segments and improve retention.
- Migrated to a cloud-based data centre to enhance security, streamline IT processes and deliver cost savings. This is also an important move to support our green IT agenda.
- Introduced innovative technologies in our Romanian contact centres, putting the business on the path to offering omnichannel touch points to customers. This innovation will be rolled out across our European home credit businesses.
- Completed the roll out of our MyProvi mobile app in Mexico. All 17,000 customer representatives across the Group are using the app which has reduced paper consumption significantly.
- Identified synergies between our home credit and digital businesses in Mexico to improve referrals and create a hybrid sales channel to serve customers who fall between a full home credit service and a digital credit offering.
- Extended the reach of our digital communications app 'MyNews' to inform and engage colleagues across our markets.
- Won the FS Tech Digital Transformation Project of the Year award, recognising our 'OneDigital' single, end-to-end digital lending platform across Europe.

Read our Technology Committee Report on page 88

FStech awards 2021 WINNER

stakeholders with a view to ensuring that if changes are adopted, they will be positive for both consumers and the providers of finance.

We have said for many years that we expect all our businesses in Europe to operate under some form of rate cap in the future. That is almost the case now, but as we have demonstrated on many occasions in many countries, we are capable of adapting our business model to cope with these changes. At the same time, we have made it very clear that if regulatory change denies us the ability to make an economic return, we will be financially disciplined and redeploy our capital elsewhere. The two obvious cases to mention are our businesses in Finland and Spain, where we decided that the returns available no longer meet our internal criteria.

Thinking about 2022 and beyond, it is hard to state categorically where regulatory change is likely to occur. What I can say is that experience teaches us that wherever we see political instability, we tend to see poor and rushed regulatory change. I believe we have invested sufficiently in building the right relationships in the markets in which we operate, so that our voice is heard when regulatory change is being debated.

Do you see the providers of 'buy now pay later' products as competitors and how do you see competition evolving?

Whilst we saw some business exits as a result of the challenges posed by the pandemic, there is no doubt that competition continues to be very strong in all our markets. The experience of lockdowns has accelerated consumers' desire for online transactions and lower-priced financial products. The remarkable advance of the 'buy now pay later' sector plays very well to these two desires, and hence the significant growth rates in the numbers of consumers using these products.

We see some critically important differentiators between what these competitors offer and what our customers need. Specifically, our customers are looking to borrow a relatively small sum, around £750 in European home credit for example, repayable over about 14 months so that it is affordable and fits comfortably within their budget. The 'buy now pay later' offer is generally a fraction of this amount, repaid within three months to take advantage of interest-free offers. In addition, remote credit scoring is an additional barrier for many consumers who have limited credit histories, which is where our home credit service wins over. The close, personal contact of a customer representative together with weekly collection of payments in their home helps customers stay on track and build a credit history with us. Notwithstanding this, we are working closely with a number of retailers to develop credit products appropriate for our customers' needs. This is a new and exciting development for our business and one that is likely to be appealing to both our digital and best-quality home credit customers.

What are the most pressing ESG issues for IPF and how are you responding?

We are very clear that we ensure that our business is responsibly run and sustainable, and that means positioning ESG as a core focus of our activities. In terms of what that means for us, we intend to be a purpose-led business and I see our purpose – building a better world through financial inclusion – encompassing all aspects of ESG.

We will dedicate most of our energy into our impact on society, and here we are wholeheartedly committed to providing credit in a responsible way to our customers, and ensuring at all times that the loans we provide are affordable and transparent. We are also committed to reducing our climate impact where we can and we have embarked upon developing our climate-change and environment strategy.

What is the outlook for IPF?

The past two years have been extremely challenging for customers, colleagues, and the wider economy as we have dealt with the impact of the pandemic. There is no doubt that we, as a team and a business, have learned a huge amount through the Covid period. We always have been, but are now even more people-focused, and we recognise and applaud the dedication of our teams to delivering positive outcomes for our customers. We may be a long-established business, but we have learned to be far more agile, investing in and adapting new technologies to make our business more efficient and improve our customers' experience. The learnings are visible in our results and this bodes well for our future.

Looking forward, we will be focused on extending our market-leading positions by delivering great customer experiences including the continuous development of our excellent digital and mobile solutions. By doing so, we aim to expand our reach in all three divisions and deliver solutions that are very attractive to the next generation of customers as well as our existing base.

We will also be seeking to provide additional sources of value to our customers through partnerships, building on our highly successful insurance business. Our activities will be guided by our strong sense of purpose, which for us is a journey not a rebranding exercise. We fully intend to make incremental changes to our business so that it becomes obvious to all stakeholders that our business plays a critical role in improving financial inclusion as we aim to deliver sustainable profit whilst making significant investments in our future.

Our strategy

Guided by our purpose to **build a better world through financial inclusion,** and fuelled by our people, our strategy builds on our successful propositions for the next generation of customers

		European home credit	Mexico home credit	IPF Digital
Serving our loyal customers	**Leverage our strong foundations**	Provide valued products and excellent customer experiences to our loyal customer base	Improve customer journeys and maintain consistent delivery to build market share	Develop our market-leading businesses in the Baltics and deliver the great potential of Mexico and Australia
Expanding our reach	**Attract the next generation of customers**	Launch and develop digital and hybrid offers in all markets and test a credit card offer	Expand territory and create compelling new propositions by blending face-to-face and digital journeys	Create the market-leading mobile offering for credit for low and medium income customers
	Create new sources of value through partnerships	Extend insurances and offer additional great-value services to our customers		
		Diversify acquisition channels by developing 'pay later' options for retailers		

Excellent execution of our strategy will ensure we deliver a sustainable business with strong growth prospects and consistently positive shareholder returns

Performance against our strategy

	Strategic priorities	Progress made
Group	– Support the health and wellbeing of our workforce through the pandemic – Find out what matters most to our stakeholders as we strive to become more purpose-led – Upgrade technology foundations and migrate to the cloud – Establish partnership team and strategy	– Care Plan supported engagement and retention of talent during the pandemic – Extensive engagement exercise: listening to stakeholders to better understand why IPF matters to them – Migrated to cloud-based data centre – Partnership team established and market positioning agreed
European home credit	– Rebuild profitability – Return to growth – Increase digital opportunities for customers – Upgrade telephony – Develop credit card proposition for testing in Poland in 2022	– Strong execution delivered significantly improved financial performance – Delivered sales momentum and receivables growth – Launched digital offering in the Czech Republic – Introduced strategic telephony technology in Romania with roll out planned – Credit card product defined and development being progressed
Mexico home credit	– Rebuild profitability – Return to growth – Embed strong operational disciplines – Identify territory expansion opportunities – Roll out mobile applications	– Significantly improved financial performance – Delivered sales momentum and receivables growth – Improved customer representative stability – Expanded network by 750 agencies – Territory expansion plan approved – Introduced mapping technology to support territory management – Rolled out collections functionality in MyProvi mobile app
IPF Digital	– Rebuild profitability – Return to growth – Develop our new markets – Create synergies with home credit businesses – Redesign and develop mobile wallet offering	– Significantly improved financial performance – Growth momentum achieved as the year progressed – E-money licence obtained to support mobile wallet roll out – Launched scalable, digital platform for mobile wallet to support roll out plans

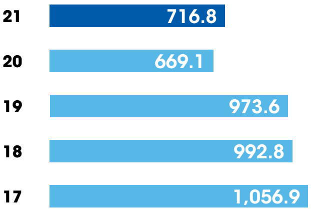
Challenges encountered	Strategic KPIs	
– Ongoing waves of the pandemic interrupting operations – Tight labour market challenges for recruitment	**1,727,000** Customers	**33%** Year-on-year credit issued
	-15% Year-on-year revenue	**10.2%** Impairment % revenue
	55.7% Cost-income ratio	**£67.7m** Profit before tax
– Lockdown restrictions impacted demand early in 2021 – Temporary debt repayment moratorium in Hungary extended to June 2022	**810,000** Customers	**39%** Year-on-year credit issued
	-16% Year-on-year revenue	**-0.6%** Impairment % revenue
	54.4% Cost-income ratio	**£54.5m** Profit before tax
– Lockdown restrictions suppressed demand early in 2021	**654,000** Customers	**40%** Year-on-year credit issued
	-6% Year-on-year revenue	**23.2%** Impairment % revenue
	44.4% Cost-income ratio	**£18.4m** Profit before tax
– Lockdown restrictions suppressed demand early in 2021 and slowed our regrowth plan – Delivered collect-out of Finland portfolio following tightening of rate cap – Decision taken to stop lending in Spain due to regulatory landscape	**263,000** Customers	**10%** Year-on-year credit issued
	-21% Year-on-year revenue	**20.3%** Impairment % revenue
	61.0% Cost-income ratio	**£8.7m** Profit before tax

Key performance indicators

Financial key performance indicators

Closing receivables

£717m



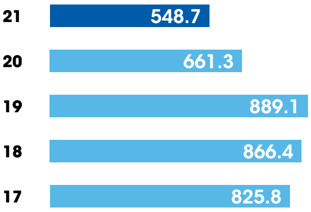
What we measure: The closing amounts receivable from customers translated at constant exchange rates.

Why it is important: This enables changes in customer receivables to be compared on a consistent basis, which is important because it is a key driver of revenue growth.

How we performed: Closing receivables increased by 13% (at CER) in 2021 driven by our focus on rebuilding the business. We expect closing receivables to increase further in 2022.

Revenue

£549m



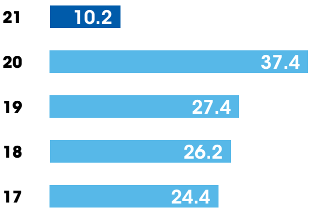
What we measure: Income generated from customer receivables.

Why it is important: Revenue is one of the key drivers of overall performance outcomes in the income statement.

How we performed: Revenue reduced by 15% (at CER) driven by the impact of the pandemic on credit issued in 2020, and the subsequent reduction in average receivables. In 2022, we expect to return to revenue growth.

Impairment % revenue

10.2%



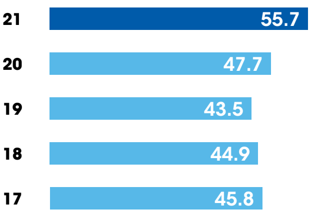
What we measure: The amount charged as a cost to the income statement as a result of customers defaulting on contractual loan payments.

Why it is important: Profitability is maximised by optimising the balance between growth and credit quality.

How we performed: Impairment reduced materially driven by our excellent operational performance and restricted credit issuance during the pandemic. We expect this ratio to increase to more normalised levels but remain below our target range of 25% to 30% in 2022.

Cost-income ratio

55.7%



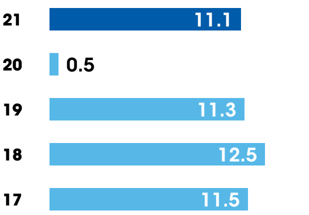
What we measure: The direct expenses of running the business (excluding customer representatives' commission) as a percentage of revenue.

Why it is important: 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.

How we performed: The cost-income ratio increased in 2021 because revenue contracted at a faster rate than costs. We expect the ratio to reduce in 2022 due to improving efficiencies associated with increased revenue.

Return on Assets

11.1%



What we measure: Profit before interest after tax, and divided by average net receivables.

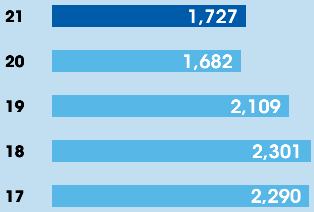
Why it is important: ROA is a good measure of our financial performance showing the ongoing return on the total equity and debt capital invested in the average net receivables of our operating segments and the Group.

How we performed: Group ROA improved materially driven by a significant improvement in profitability. We aim to generate progressive improvements in ROA as we deliver longer-term growth.

Non-financial key performance indicators

Customers

1.7m



What we measure: Total number of customers using our products and services across the Group.

Why it is important: Customer numbers demonstrate our scale in our markets.

How we performed: In 2021, customer numbers increased by 3% driven by our focus on rebuilding the business. We expect customer numbers to increase further in 2022.

Returning home credit customers

51%

What we measure: The proportion of home credit customers who have chosen to return to us within 36 months of taking their previous loan.

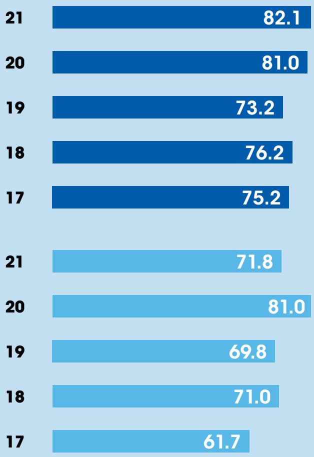
Why it is important: Customers choosing to return to the business for a new loan indicates that our products and services meet their needs.

How we performed: A 51% returning customer score reflects a good mix in our home credit portfolio of new and returning customers.

Employee and customer representative retention

82% Employees

72% Customer representatives



What we measure: The proportion of our people who have worked with us for more than 12 months.

Why it is important: Higher and stable retention of our people correlates with providing high levels of customer service and a strong financial performance.

How we performed: Employee retention remained high at 82%. Customer representative retention reduced to 72%, which is aligned to pre-Covid levels. This was driven by Mexico home credit where the proportion of new customer representatives recruited to support growth increased.

Customer recommendations (Net Promoter Score[1])

51

European home credit net promoter score

69

IPF Digital net promoter score

What we measure: The proportion of customers recommending our products to others minus those who would not.

Why its important: Net Promoter Score is a measurement of customer loyalty and satisfaction measurement which are important drivers of future growth.

How we performed: Our net promoter scores for European home credit and IPF Digital at December 2021 were 51 and 69 respectively. Our focus on 2022 will be on maintaining these strong scores.

1. The net promoter score was introduced in 2021 and is now an integral part of management reporting in European home credit and IPF Digital. This will be extended to Mexico home credit in 2022.

Group performance review

"We delivered an extremely strong full-year performance, reporting excellent growth in credit issued, profit before tax of £67.7 million and the resumption of dividends to our shareholders."

We delivered an extremely strong full-year performance. We are delighted to report that the successful execution of our rebuild strategy, focused on serving our customers to an exceptionally high standard, has generated excellent growth and a strong financial result. Group profit before tax increased by £108.4 million to £67.7 million.

Each of our business divisions adapted well to the constantly changing environment, becoming more agile and cost effective whilst enhancing their customer product offerings. As a result of this excellent operational execution, all business divisions made a strong contribution to our overall Group profit before tax.

	FY 2020 £m	**FY 2021 £m**
European home credit	(9.2)	**54.5**
Mexico home credit	0.8	**18.4**
IPF Digital	(19.2)	**8.7**
Central costs	(13.1)	**(13.9)**
(Loss) / profit before tax	(40.7)	**67.7**

We saw a steady increase in levels of customer demand for credit from Q2, driven by the easing of freedom of movement rules in most of our markets, the opening up of retail and hospitality sectors and the progression of government vaccination programmes. Returning to growth mode, we delivered a 33% increase in credit issued, with robust contributions from all business divisions. Our strong collections performance throughout the year underpinned our strategy to selectively relax credit settings and take advantage of sales opportunities when demand for credit increased.

We are also pleased to report that our closing receivables portfolio is growing once again, with a £48 million increase (13% at CER) to £717 million at the year end, which contributed to improved revenue growth in the second half of the year. We expect to continue to grow both credit issued and customer receivables in 2022 building further on current revenue momentum. Average net receivables reduced by 9% year on year due to the lower levels of credit issued in 2020 and, together with the impact of temporary Covid-related rate caps in Hungary and Poland which have since expired, this resulted in a 15% contraction in revenue year on year. However, as we successfully rebuilt the portfolio over the course of the year, revenue growth returned from Q2 2021 and was 10% higher in the second half of the year compared with H1.

The credit quality of our lending portfolio is excellent across all business divisions, particularly the performance of the receivables portfolio written since June 2020, which was granted largely under tighter than normal credit settings, has been better than predicted by our impairment models. This, together with the combination of selectively relaxed credit settings tailored to local market conditions and consistently strong collections execution, has contributed to an exceptionally low impairment charge of £56 million in 2021. This includes the positive impact of Covid-19 discounting and expected credit loss provisions releases totalling around £32 million. Impairment as a percentage of revenue year-on-year improved by 27.2 ppt to 10.2%. We expect impairment as a percentage of revenue to increase in 2022 as we continue to grow the business, but to remain below our target range of 25% to 30%.

We have continued to maintain tight control on costs while investing more in marketing to drive our successful growth strategy and, as a result, other costs remained flat year on year. As we look ahead, we expect inflationary pressures to feed through to costs in 2022, but at a lower rate than the anticipated growth in receivables.

Strong strategic progress

IPF creates long-term value beyond profit and returns by striving to have a positive effect on all our stakeholders. Our strategy, anchored by the essential role our business performs in society by promoting financial inclusion, centres on meeting the financial needs of our customers and delivering a positive customer experience, and in so doing, recapturing longer-term growth as consumer demand increases in our markets.

During the pandemic period, we have extended forbearance across the Group over and above our normal practices, ensuring that where customers face difficulty meeting their repayments, we provide revised schedules to suit their current circumstances, with payment holidays and deferred payments. Protecting our people and customers remains our top priority. We provide PPE for customer representatives visiting their customers and a range of remote repayment options are available if customer visits are not possible. We also have in place appropriate protocols to address any adverse impact from future lockdowns, should they occur.

Our core strategic goals have driven the successful return to full-year profitability, created the foundation for longer-term growth and enabled the resumption of dividends to our shareholders. In addition to the significant progress made in financial performance, we also delivered a number of strategic milestones in 2021 including;

- Obtained an e-money institution licence which will enable the roll out of our mobile wallet product in Europe.
- Developed profitable digital and hybrid customer journeys in our Polish business to be replicated across the rest of the European home credit businesses.
- Defined a credit card proposition in our Polish business for testing in 2022.
- Introduced innovative technologies in our Romanian contact centres putting the business on the path to offering omnichannel touch points for customers. This innovation will be rolled out across our European home credit businesses.
- Completed the roll out of MyProvi mobile app in Mexico. All 17,000 customer representatives across the Group are now using the app in their day-to-day work and this digital transformation has reduced paper consumption significantly.
- Identified synergies between our home credit and digital businesses in Mexico to improve referrals and create a hybrid sales channel to serve customers who fall between a full home credit service and a digital credit offering.
- Expanded our agency network in Mexico by around 750 agencies as part of our territory expansion plans.
- Established our first retail point of sale partnerships in Romania and Mexico.

Environmental, social and governance (ESG)

Our purpose, Building a better world through financial inclusion encompasses all aspects of ESG and drives our actions to ensure that our business is responsibly run and sustainable. We have an important role to play in helping people who have limited borrowing options to access credit in a responsible way and provide an opportunity for them to develop their credit profile. As a business with a strong social purpose, we focus our ESG agenda on the very positive impact our business has on society through our commitment to responsibly providing credit to our customers and ensuring that our loans are affordable and transparent. During 2021, we also embarked upon a process to develop our climate-related strategy and identify the key opportunities and risks posed by climate change that relate to IPF. It is also our intention to align our strategy with a number of the UN's Sustainable Development Goals to highlight how our business contributes to these important objectives.

Regulatory update

Of the temporary Covid-19 related regulations introduced in 2020, only the debt repayment moratorium in Hungary remains in place and this is due to expire on 30 June 2022.

The European Union commenced a review of the Consumer Credit Directive, which we expect will conclude by the end of 2022. Our Group and European Union market teams are closely engaged in the process with a view to contributing to an acceptable outcome for both customers and market participants.

In Poland, the proposal to reduce the non-interest cost of credit cap, which was first raised in 2016, has been relaunched by the same political party. The proposal, which relates to non-interest costs of a consumer loan, would see the maximum cap reduced from 100% of the loan value to 45% (excluding interest). The proposals have been referred to the EU Commission for consideration with a deadline of 28 March 2022 for response by the Commission to the Polish Parliament, during which time the proposals cannot be finalised. There is a likelihood that there will be a range of views on the merits of the proposals and, as they are scrutinised in detail, they could be changed, abandoned or agreed. We will continue to review the draft proposals to assess any potential implications for our Polish business, should they be implemented, and update the market as appropriate.

In December 2021, a revised draft law imposing a total cost of credit cap of 100% for loans with issue values below 15,000 RON (c.€3,000) and 15% for loans above 15,000 RON passed the Upper Chamber of the Romanian Parliament and moved to the Second Chamber in February this year. Approximately one year ago, a similar proposal had been sent back to the Parliament by the Constitutional Court citing procedural errors. Most loans in our Romanian portfolio are below 15,000 RON in value.

Outlook

The pandemic has illustrated the essential role our business plays in helping underbanked and underserved communities around the world. Throughout this difficult period, we were able to continue to serve our customers and help them with extended forbearance and payment holidays. There is significant long-term demand for affordable credit from the group of consumers we serve in all our markets and we intend to build on the excellent momentum achieved in 2021 by continuing to execute our growth strategy to rescale the business.

We expect to be able to generate double-digit credit issued growth in both Mexico home credit and IPF Digital in 2022, supported by a strategic focus on strengthening customer choice by increasing the digital and mobile wallet options available. We expect to be able to grow credit issued in European home credit – the engine of the Group – by single-digit percentage supported by extending our digital/hybrid offerings as 2022 progresses. As always, we will continue to serve our customers safely and responsibly, while maintaining a clear focus on portfolio quality and costs.

	FY 2020 £m	**FY 2021 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	1,682	**1,727**	45	2.7	2.7
Closing receivables	669.1	**716.8**	47.7	7.1	13.4
Credit issued	772.2	**982.1**	209.9	27.2	32.8
Average net receivables	777.6	**677.0**	(100.6)	(12.9)	(9.4)
Revenue	661.3	**548.7**	(112.6)	(17.0)	(15.0)
Impairment	(247.6)	**(56.2)**	191.4	77.3	77.6
Net revenue	413.7	**492.5**	78.8	19.0	24.7
Finance costs	(55.0)	**(54.0)**	1.0	1.8	(2.5)
Agents' commission	(72.0)	**(65.3)**	6.7	9.3	5.4
Other costs	(315.5)	**(305.5)**	10.0	3.2	0.1
Pre-exceptional (loss) / profit before taxation	(28.8)	**67.7**	96.5		
Exceptional items	(11.9)	**–**	11.9		
(Loss) / profit before taxation	(40.7)	**67.7**	108.4		

European home credit

"The strong execution of our strategy in 2021 delivered good sales momentum, receivables growth and a significantly improved financial performance."

The strong operational performance delivered by our European home credit businesses resulted in a £63.7 million swing in profit before tax year on year to £54.5 million. This significantly improved financial result was driven primarily by continued strong collections flowing through to lower impairment charges in each market.

Our business responded well to growing consumer demand, and we increased credit issued year on year by 39%. Although customer numbers contracted year on year by 2% to 810,000, our successfully executed rebuild strategy delivered an increase of 2,000 in the second half of the year. Average net receivables reduced by 5% year on year, but credit issued growth momentum delivered a 17% (at CER) increase in closing receivables since December 2020 to £426 million, up 8% (at CER) from £406 million at 30 June 2021.

Our strong collections performance together with the unwinding of Covid-19 impairment provisions booked in 2020 and higher-quality lending, resulted in impairment as a percentage of revenue improving by 36.2 ppts since the 2020 year end to (0.6)% (an impairment credit). Other costs increased by just 4% (£6.2 million at CER) year on year as a result of a much lower 2020 comparative together with a modest increase in costs to fund higher credit issuance.

The strong execution of our strategy in 2021 delivered good sales momentum, receivables growth and a significantly improved financial performance. Looking ahead to 2022, our focus is to increase the scale of our European home credit operations, which will continue to be the engine of the Group. We plan to deliver credit issued growth of around 8% to 10% to rebuild the receivables portfolio while maintaining robust collections, credit quality and strong cost control. We will also continue to enhance the customer experience through improved technology, expand our digital and hybrid credit options for quality customers and test a credit card proposition.

	FY 2020 £m	**FY 2021 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	827	**810**	(17)	(2.1)	(2.1)
Closing receivables	389.5	**425.9**	36.4	9.3	16.6
Credit issued	453.8	**599.2**	145.4	32.0	39.4
Average net receivables	443.0	**403.3**	(39.7)	(9.0)	(4.5)
Revenue	351.1	**284.7**	(66.4)	(18.9)	(16.4)
Impairment	(125.1)	**1.6**	126.7	101.3	101.3
Net revenue	226.0	**286.3**	60.3	26.7	33.8
Finance costs	(32.3)	**(34.0)**	(1.7)	(5.3)	(10.0)
Agents' commission	(50.7)	**(42.9)**	7.8	15.4	10.8
Other costs	(154.7)	**(154.9)**	(0.2)	(0.1)	(4.2)
Pre-exceptional (loss) / profit before taxation	(11.7)	**54.5**	66.2		
Exceptional items	2.5	**-**	(2.5)		
(Loss) / profit before taxation	(9.2)	**54.5**	63.7		

Mexico home credit

"Our Mexico home credit business delivered good growth in 2021 and offers very exciting and significant long-term growth prospects."

Mexico home credit reported another significantly improved financial performance with profit before tax increasing by £17.6 million year on year to £18.4 million. This robust outcome, driven primarily by a reduction in impairment and a lower cost base, was delivered against a challenging further wave of the Covid-19 pandemic in Mexico during Q3 2021.

Consumer appetite for credit is recovering and despite rising Covid-19 cases in Q3, exacerbated by relatively low vaccination rates in Mexico, we delivered a 9% increase in customer numbers to 654,000, an increase of 55,000 customers. This, in turn, supported a 40% increase in credit issued year on year. Average net receivables increased by a lower amount at 3% year on year due to lower credit issued in 2020. Revenue decreased by 6% year on year, driven primarily by our strategic decision to extend loan terms and offer more attractive pricing to higher-quality customers. However, it is pleasing to report that H2 revenue was 23% higher than the first half. This growth also supported the delivery of a 30% (at CER) increase in closing receivables since December 2020 to £118 million.

Our operational rigour around collections and credit quality over the past two years, together with the unwinding of Covid-19 impairment provisions booked in 2020, resulted in annualised impairment as a percentage of revenue improving by 10.5 ppts since the 2020 year end to 23.2%. We continued to manage costs tightly, maintaining the benefits of savings achieved in 2020, and delivered an 8% reduction in Other costs year on year.

Our Mexico home credit business delivered good growth in 2021 and offers very exciting and significant long-term prospects. Our strategy in 2022 is to build on this momentum through strong operational execution to deliver sustainable, 15% to 20% credit issued growth in 2022, and increase the size of the receivables portfolio. We will enhance territory management to maximise customer reach within the current geographic footprint, selectively digitise the customer journey, expand the functionality of our MyProvi agent app to further improve cost efficiency and rebuild our receivables portfolio.

	FY 2020 £m	**FY 2021 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	599	**654**	55	9.2	9.2
Closing receivables	92.8	**117.6**	24.8	26.7	29.5
Credit issued	143.6	**194.2**	50.6	35.2	40.2
Average net receivables	102.5	**102.8**	0.3	0.3	2.9
Revenue	157.1	**146.0**	(11.1)	(7.1)	(6.5)
Impairment	(53.0)	**(33.8)**	19.2	36.2	40.0
Net revenue	104.1	**112.2**	8.1	7.8	12.4
Finance costs	(7.7)	**(6.6)**	1.1	14.3	12.0
Agents' commission	(21.3)	**(22.4)**	(1.1)	(5.2)	(7.2)
Other costs	(71.6)	**(64.8)**	6.8	9.5	7.7
Pre-exceptional profit before taxation	3.5	**18.4**	14.9		
Exceptional items	(2.7)	**–**	2.7		
Profit before taxation	0.8	**18.4**	17.6		

IPF Digital

"IPF Digital delivered a record profit before tax of £8.7 million in 2021 and offers significant, long-term growth prospects."

IPF Digital delivered a record profit before tax of £8.7 million, a significant year on year improvement of £27.9 million. Reinvesting in growth together with continuing good credit quality and tight cost control supported the delivery of very strong financial performances by both our established and new markets.

The profitability of IPF Digital is segmented as follows:

	FY 2020 £m	**FY 2021 £m**	Change £m	Change %
Established markets	8.7	**21.2**	12.5	143.7
New markets	(16.3)	**(0.3)**	16.0	98.2
Head office costs	(11.6)	**(12.2)**	(0.6)	(5.2)
IPF Digital	(19.2)	**8.7**	27.9	145.3

While our digital business made strong financial progress overall, we made the difficult decision in December 2021 to stop new lending to customers in Spain. Although our team had worked diligently to build a viable business with a new product construct, the regulatory environment meant it was no longer possible to make an acceptable return for our shareholders. In line with our disciplined use of capital, we have decided to redeploy our resources elsewhere.

Returning demand for consumer credit driven by the relaxation of Covid-19 lockdown restrictions, together with our successful strategy to relax credit settings to near pre-pandemic levels, is creating a good foundation on which to rebuild the digital business and deliver sustainable growth. Customer numbers increased by 3% year on year to 263,000 and we delivered an increase of 16,000 new customers in the second half of the year driven by an excellent performance in Mexico. Excluding the impact of the portfolio collect-out in Finland, customer growth increased by 8%. Credit issued was 10% higher year on year, with H2 credit issued 27% higher than H1. Average net receivables reduced by 24% year on year, driving a 21% reduction in revenue. Closing receivables contracted by just 2% year on year to £173 million, and acceleration in growth momentum in the second half of the year resulted in closing receivables being £5 million (5% at CER) higher at the end of December compared with June 2021.

Continued high-quality lending and strong collections performance resulted in a 25.1 ppt improvement in annualised impairment as a percentage of revenue to 20.3% since the 2020 year end. Costs reduced by 3% year on year, driven mainly by the benefits of our rightsizing exercise in 2020, partially offset by increased investment in growth and a £3 million one-off cost impact of the decision to run off the Spanish business.

IPF Digital offers significant, long-term growth prospects and is expected to deliver 15% to 20% credit issued growth in 2022 and 2023 while maintaining credit quality and costs. The e-money licence obtained in 2021 will enable the further roll out of our mobile wallet product offering, and our digital and home credit businesses in Mexico will partner to explore new hybrid lending opportunities.

	FY 2020 £m	**FY 2021 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	256	**263**	7	2.7	2.7
Closing receivables	186.8	**173.3**	(13.5)	(7.2)	(1.6)
Credit issued	174.8	**188.7**	13.9	8.0	10.2
Average net receivables	232.1	**170.9**	(61.2)	(26.4)	(24.1)
Revenue	153.1	**118.0**	(35.1)	(22.9)	(20.6)
Impairment	(69.5)	**(24.0)**	45.5	65.5	64.5
Net revenue	83.6	**94.0**	10.4	12.4	15.9
Finance costs	(14.9)	**(13.3)**	1.6	10.7	6.3
Other costs	(76.6)	**(72.0)**	4.6	6.0	3.1
Pre-exceptional (loss) / profit before taxation	(7.9)	**8.7**	16.6		
Exceptional items	(11.3)	**–**	11.3		
(Loss) / profit before taxation	(19.2)	**8.7**	27.9		

Established markets

The established markets delivered a very strong £12.5 million increase in profit before tax to £21.2 million, driven by low impairment and a significant reduction in costs, partially offset by lower revenue arising from a contraction in our portfolio.

Customers and credit issued contracted year on year by 18% and 20% respectively, as a result of tighter credit settings introduced in response to Covid-19, softer demand during ongoing periods of people movement restrictions, and our decision to cease lending in Finland and collect out the portfolio. Our focus on building growth momentum through easing credit settings to meet increasing demand resulted in credit issued being 21% higher in H2 compared with H1. Average net receivables contracted year on year by 27% due to the lower credit issued and this resulted in a reduction in revenue of 30% in the same period. Excluding Finland, where the portfolio collect-out is progressing well, the contraction in average net receivables and revenue year on year was significantly lower at 13% and 19% respectively.

Good collections and lower levels of credit issued resulted in a lower impairment charge in the period and a 24.7 ppt improvement in annualised impairment as a percentage of revenue to 3.9% since the year end. We continued to manage costs tightly, and together with the benefit of the 2020 rightsizing programme, costs reduced by 23% year on year.

New markets

The new markets generated a small loss before tax of £0.3 million, a significant improvement of £16.0 million year on year. This near-breakeven result was driven by a reduction in the cost base and improved credit quality, partly offset by a £6 million charge arising from the decision to collect out our business in Spain.

As lockdown restrictions eased during the second half of the year and consumer demand improved, we continued to relax credit settings and increase our investment in growth related activities in our new markets. This delivered further sales momentum, resulting in a 28,000 (20%) increase in customer numbers year on year to 168,000, with significantly faster growth in H2 of 23,000. This was also reflected in credit issued growth which increased significantly by 39% year on year, with H2 credit issued 30% higher than H1. Average net receivables and revenue reduced by 21% and 12% respectively year on year, however, we delivered revenue growth of 18% in the second half of the year.

Credit quality continued to improve resulting in a 28.4 ppt reduction in impairment as a percentage of revenue since the 2020 year end to 31.7%. Other costs increased by £1 million (6% at CER) year on year driven by the benefits of the rightsizing exercise in 2020, partially offset by costs of £3 million incurred as a result of our decision to collect out the portfolio in Spain.

Established markets	FY 2020 £m	**FY 2021 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	116	**95**	(21)	(18.1)	(18.1)
Closing receivables	98.8	**78.5**	(20.3)	(20.5)	(15.6)
Credit issued	85.0	**66.6**	(18.4)	(21.6)	(20.2)
Average net receivables	117.9	**83.6**	(34.3)	(29.1)	(27.0)
Revenue	71.6	**48.3**	(23.3)	(32.5)	(30.4)
Impairment	(20.5)	**(1.9)**	18.6	90.7	90.5
Net revenue	51.1	**46.4**	(4.7)	(9.2)	(6.3)
Finance costs	(7.8)	**(6.5)**	1.3	16.7	12.2
Other costs	(24.9)	**(18.7)**	6.2	24.9	23.0
Pre-exceptional profit before taxation	18.4	**21.2**	2.8		
Exceptional items	(9.7)	**–**	9.7		
Profit before taxation	8.7	**21.2**	12.5		

New markets	FY 2020 £m	**FY 2021 £m**	Change £m	Change %	Change at CER %
Customer numbers (000s)	140	**168**	28	20.0	20.0
Closing receivables	88.0	**94.8**	6.8	7.7	13.9
Credit issued	89.8	**122.1**	32.3	36.0	39.2
Average net receivables	114.2	**87.3**	(26.9)	(23.6)	(21.2)
Revenue	81.5	**69.7**	(11.8)	(14.5)	(12.1)
Impairment	(49.0)	**(22.1)**	26.9	54.9	53.7
Net revenue	32.5	**47.6**	15.1	46.5	50.6
Finance costs	(7.1)	**(6.8)**	0.3	4.2	–
Other costs	(40.1)	**(41.1)**	(1.0)	(2.5)	(5.9)
Pre-exceptional loss before taxation	(14.7)	**(0.3)**	14.4		
Exceptional items	(1.6)	**–**	1.6		
Loss before taxation	(16.3)	**(0.3)**	16.0		

Strong financial performance delivering returns to shareholders

The Group delivered a strong return to growth driven by our continual adjustment of credit risk settings in response to our excellent operational performance and the maintenance of our conservative balance sheet. These actions helped us to rebuild the business whilst maintaining excellent credit quality and a tight rein on costs.

Rebuilding sustainable profitability

We are pleased to report that executing our rebuild strategy, supported by the Group's strong balance sheet and robust funding position, provided the foundation on which to deliver a return to growth, a rapid rebound in profitability and resumption of dividend returns to shareholders in 2021. We are now firmly back in growth mode, reflected in the 33% increase in credit issued which was driven by a combination of recovering consumer demand and our decision to selectively ease credit settings based on the circumstances prevailing in each of our markets. As a result, closing receivables increased by 13%. With a strong rebound in 2021, we are now well placed to deliver on our purpose by supporting customers, colleagues and other stakeholders through the ongoing challenges created by the Covid crisis and to generate long-term sustainable growth.

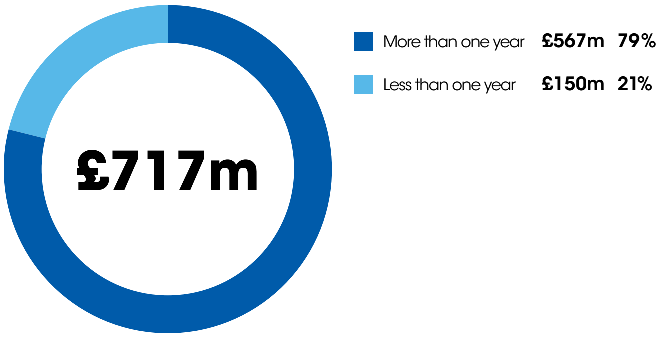
Our financial model and strategy

We aim to generate value for our stakeholders, deliver sustainable profitable growth and deploy capital efficiently by offering relevant products and services to our customers.

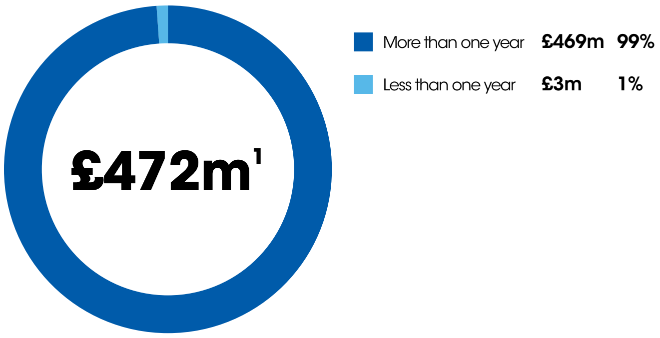
The Group financial model focuses on: returns and the efficient use of capital; financial profile; and balancing investment, growth and risk. Over the medium term, we aim to achieve a good return on the capital invested in receivables for each of our businesses, recognising their different stages of development and investment profile, and pay an appropriate level of dividends to shareholders. We continue to maintain a strong balance sheet with appropriate capital supporting receivables, and have a strong debt funding position with good headroom on debt facilities and debt covenants. We ensure that we have adequate equity capital and debt funding to support future growth and to withstand external shocks (such as the pandemic) if they arise, enabling us to achieve good returns over the long term.

Our businesses are at different stages of development. The European home credit business is now more than two decades old and generates cash and capital, and attractive returns. We will continue to invest in all our businesses, in particular IPF Digital and Mexico home credit which provide very significant opportunities for sustained multi-year growth. We have a very strong balance sheet which was recently refinanced, and a robust financial risk management process in place that has proven its effectiveness through multiple financial cycles. We operate with a target equity to receivables capital ratio of around 40%. The ratio at 31 December 2021 was 51.2%. Having strengthened materially in 2020 due to the successful liquidity management actions taken in response to the onset of the pandemic, the ratio reduced in 2021 (2020: 55.4%) as we grew receivables and resumed dividend payments. In the coming years, we expect the ratio to reduce further as we continue with planned receivables growth and dividend payments. To maintain the credit quality of lending, we target an impairment to revenue range of 25-30% and prior to the pandemic, we had always operated within or just below this. At December 2021, the ratio was 10.2%, having reduced materially on the back of our excellent operational performance and restricted credit issuance during the pandemic period. We expect impairment to increase to more normalised levels but remain below our target range of 25% to 30% in 2022. Our debt funding strategy provides a strong foundation for the existing business and for future growth, through a diversified debt portfolio of bond and bank facilities. By maintaining our strong financial profile, we are able to operate with good headroom on the financial covenants in our debt facilities.

Receivables



Borrowings



Impairment

Impairment in 2021 was impacted by liquidity management and provisioning actions undertaken in 2020 to manage the impact of the pandemic on the business. These factors resulted in a smaller but higher-quality receivables portfolio than prior to the pandemic. As we continue to grow the scale of the business we expect impairment as a percentage of revenue to increase but to remain below our target range of 25% to 30% in 2022.

Further details relating to the 2021 impairment charge are included on page 127.

1. Number includes unamortised arrangement fees and issue discount.

"The returns in 2021 improved materially across all reporting segments as the businesses returned to full-year profitability. It is expected that returns will improve further in 2022 and beyond."

Returns

As a Group, we aim to deliver long-term profitable growth, good returns for shareholders, and the efficient deployment of capital to support growth and pay dividends. We believe that the return on assets (ROA) metric is a good measure of financial performance, 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 profit before interest, after tax, divided by the average net receivables during the period.

	2020[1]	2021
European home credit	0.7%	**13.6%**
Mexico home credit	1.6%	**15.1%**
IPF Digital	0.5%	**8.0%**
Group	0.5%	**11.1%**

1. 2020 ROA pre-exceptional

The returns in 2021 improved materially across all reporting segments as the businesses returned to full-year profitability.

Return on equity

ROE for the Group is measured as profit after tax divided by average equity. ROE improved materially by 24.6 ppts in 2021 to 11.4%, driven by significant improvement in the business profitability.

Capital generation

Strong capital generation was always a key feature of our business prior to the pandemic, providing capital for the continuing growth of the business and dividends to shareholders, while maintaining our strong financial profile.

The following table shows the capital generated by our businesses, along with dividends declared. We aim to fund our receivables book with approximately 40% equity and 60% debt. Capital generated is calculated as profit after tax, assuming that 60% of the growth in receivables is funded with debt and 40% with equity.

Capital generated before investment in receivables growth was £41.9 million as a result of the strong turnaround in profit. Of this capital, £34.5 million was used to invest in receivables growth (based on 40% equity funding for receivables growth) and, therefore, net capital generation was £7.4 million before the declaration of dividends totalling £4.9 million. Each of our business units generated capital in the year reflecting their good financial performance together with an increase in their investment in receivables. The other balance of capital consumption relates to central costs. Total net capital consumption was £1.4 million.

	2021 £m
Profit before tax	**67.7**
Tax	**(25.8)**
Profit after tax	**41.9**
Receivables growth funded by equity (40%)	**(34.5)**
Capital generated	**7.4**
European home credit	**8.6**
Mexico home credit	**0.7**
IPF Digital	**6.7**
Other	**(8.6)**
Dividends declared	**(4.9)**
Shares acquired by employee and treasury trust	**(3.9)**
Capital consumed	**(1.4)**

Earnings/loss per share

The earnings per share of 18.8 pence in 2021 compared with 28.9 pence loss per share in 2020, reflects the return to full-year profitability in 2021.

Dividend

With the Group's strong recovery in 2021, our confidence in the growth potential of the business and our current strong capital base, the Board is pleased to declare a final dividend of 5.8 pence per share, bringing the full-year dividend to 8.0 pence per share (2020: nil). Subject to shareholder approval, the final dividend will be paid on 6 May 2022 to shareholders on the register at the close of business on 8 April 2022. The shares will be marked ex-dividend on 7 April 2022. The Board also reviewed the future capital requirements of the Group and agreed to introduce a progressive dividend policy aimed at reducing, at an appropriate pace, the equity to receivables ratio to bring it closer to our broad target of 40%. In addition, it was agreed that future interim dividend payments would be set at 33% of the prior year's full dividend payments. The Board may also consider returning surplus capital to shareholders periodically, subject to prevailing market conditions.

Balance sheet, treasury risk management and funding

Balance sheet

We have a strong balance sheet, funding position and robust financial risk management. At December 2021, the equity to receivables ratio was 51.2% (2020: 55.4%) and the gearing ratio was 1.3x (2020: 1.4x). Group debt funding facilities at December 2021 totalled £575 million, with headroom and non-operational cash balances of £108 million. Total cash balances at December 2021 were £42 million (2020: £116 million) which included £11 million that was not required for operational purposes but is available to support future receivables growth.

Closing receivables in 2021 were £717 million, which is £85 million (13%) higher than 2020 at CER, reflecting the Group's strategy to rebuild the business during 2021. The average period of receivables outstanding at December 2021 was 12.3 months (2020: 11.1 months) with 79% of year-end receivables due within one year (2020: 80%). The average period of receivables outstanding has increased primarily due to normalisation of our product terms as the external environment improved during 2021.

The equity to receivables ratio reduced in 2021 compared with 2020 when it strengthened materially as a result of the contraction in receivables portfolio. This level of equity funding will provide sufficient capital to fund planned receivables growth whilst maintaining the resilience of the balance sheet. Following the refinancing of the Group in 2020, the debt funding covenants place restrictions on the ability of the business to make material reductions in equity capital levels.

Gearing remained stable during 2021at 1.3x at December 2021, compared with 1.4x in 2020. This is 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 receivables portfolios with local currency borrowings (directly or indirectly) to achieve a high level of balance sheet hedging. We do not 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 multiple local currency bank facilities and our main €341 million (£287 million) Eurobond provides direct funding to our markets using the Euro currency, and to markets using other currencies via foreign exchange transactions. For this reason, 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 that have 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.

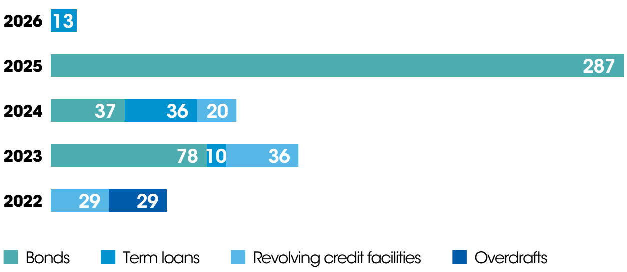
The Group's funding requirements remained stable during 2021 as the business deployed cash generated into receivables growth, with a net cash outflow from operating and investing activities of £40.0 million in 2021 compared with cash generation of £268.5 million in 2020. During 2021, debt facilities amounting to £185 million were extended or added to the funding portfolio. This included the refinancing of the existing SEK bond with a new 7% SEK 450 million (£37 million) maturing October 2024, and the extension and addition of £148 million of bank facilities.

The extended debt facilities together with the equity capital provide strong capital foundations to support our growth plans. At December 2021, we had total debt facilities of £575 million (£402 million bonds and £173 million bank facilities) and gross borrowings of £478 million. A full analysis of the maturity profile of the debt facilities is set out in note 21 to the Financial Statements and is summarised below.

Maturity profile of debt facilities (£m)

	Maturity	£m
Eurobond	November 2025	287
Swedish krona bond	October 2024	37
Sterling bond	December 2023	78
Total bonds		**402**
Bank facilities	2022 to 2026	173
Total debt facilities		**575**
Total borrowings		478
Headroom against debt facilities		97
Non-operational cash balances		11
Headroom and non-operational cash balances		**108**

Maturity profile of debt facilities (£m)



Our bank facilities comprise term loans, revolving credit facilities and overdrafts with £144 million being committed and the balance of £29 million is uncommitted. The level of drawn funding at December 2021 was £478 million, £11 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 planned growth in the receivables portfolio in 2022. Gross borrowings net of this non-operational cash at December 2021 was £467 million and total available liquidity in the form of non-operational cash and headroom on bank facilities was £108 million.

As a result of 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.

2020	Covenant	Actual	Headroom £m
Gearing[1]	Max 3.75x	1.4x	235.0
Interest cover[2]	Min 1.0x times	2.1x	58.3

2021	Covenant	Actual	Headroom £m
Gearing[1]	Max 3.75x	**1.3x**	**236.6**
Interest cover	Min 1.75x times	**2.5x**	**24.0**

1. Borrowings adjusted for lease liabilities; derivative financial instruments; pension assets; unamortised arrangement fees and issue discount; and surplus cash in accordance with the debt funding covenant definitions.
2. 2020 actual data includes adjustments for material items of an unusual or non-recurring nature arising from the pandemic made in accordance with the terms of the debt facilities.

The Group is rated by Fitch Ratings and Moody's at BB- stable outlook and Ba3 stable outlook, respectively. During 2021, Fitch Ratings improved IPF'S outlook from Negative to Stable and reaffirmed its long-term credit rating of BB-.

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 £38 million foreign exchange movement, which has been debited to the foreign exchange reserve.

Taxation

The taxation charge on the profit for 2021 is £25.8 million, which represents an expected effective tax rate for the year of approximately 38%. The tax charge is affected by a combination of factors but is largely driven by the lack of tax deductibility in some countries for 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.

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 issued a Charging Notice seeking payment of £14.2 million in respect of the alleged State Aid for the 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 appealed the Charging Notice on the grounds of the quantum assessed. A further amount of interest of £1.1 million was subsequently paid during August 2021. 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 £15.3 million paid is held on the balance sheet as a non-current tax asset reflecting the Directors' judgement that it is more likely than not that the amount will ultimately be repaid. This judgement is based on legal advice received on the strength of the technical position included in IPF's annulment application. Further details of the risks associated with the Group's finance company are set out at note 32.

Going concern

In considering whether the Group is a going concern, the Board has taken into account the Group's 2022 business plan, its principal risks (with particular reference to regulatory risks), and the expected trajectory of recovery from the Covid-19 pandemic. The forecasts have been prepared for the five years to 31 December 2026 and include projected profit and loss, balance sheet, cashflows, 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 financial forecasts 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) 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 2021, the Group had £108 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 2.9 years. The total debt facilities as at 31 December 2021 amounted to £575 million of which £58 million (including £29 million which is uncommitted) is due for renewal over the following 12 months. A combination of these debt facilities, the embedded business flexibility in respect of cash generation and a successful track record of accessing funding from debt capital markets over a long period (including periods with challenging macroeconomic conditions and a changing regulatory environment), are expected to meet the Group's funding requirements for the foreseeable future (12 months from the date of approval of this report). Taking these factors into account, together with regulatory risks set out on page 54 of the Annual Report, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board has adopted the going concern basis in preparing the Annual Report and Financial Statements.

We are committed to living our purpose and meeting our responsibilities to our stakeholders

"The Board is fully committed to doing what's right for our customers, colleagues, investors and other stakeholders. Active engagement is essential for us to live our purpose and to understand the impact of decisions we take on our stakeholders."

Gerard Ryan,
Chief Executive officer

Engaging with our stakeholders

Engaging with key stakeholders helps us gain a better understanding of their needs and how Board and operational decisions impact them. It is crucial to delivering on our purpose and enhancing an open, caring culture, maintaining high operational standards and delivering our strategy to achieve long-term sustainable value. It is also important that our stakeholders understand our unique business model and the essential role we play in helping consumers access affordable financial products and services, and supporting the wider community.

Our strategy starts with our core purpose, to build a better world through financial inclusion. This is the reason why our organisation exists and through which we create value for all our stakeholders. The Board is fully committed to doing what's right for our customers, colleagues, shareholders and wider stakeholders.

In addition to our continual programme of listening and responding to matters that mean most to our stakeholders, we also undertook an extensive engagement exercise to understand what our purpose means to our customers, employees, regulators, communities and investors. This process encompassed research and conversations with stakeholders in most of our markets and delivered a set of stakeholder statements against which we will measure our progress.

Looking ahead we plan to extend our transparent performance reporting to provide more information to our stakeholders on our contribution towards our most material ESG matters and our chosen UN Sustainability Development Goals (SDGs).

Awards and accreditation

Section 172(1)

On the following pages, we have 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 (Miscellaneous Reporting) Regulations 2018, whilst 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.

We understand that it is important for the business at all levels, including the Board, to engage with its shareholders and wider stakeholder groups. By engaging with our stakeholders we gain a better understanding of what areas they are interested in or concerned about and also how our decisions have impacted them. Healthy engagement with our stakeholders underpins our governance framework and helps to ensure we maintain high standards of business conduct.

The next few pages set out the stakeholders that continue to represent the key resources and relationships that support the generation and preservation of value in the Group, as well as our culture of openness and communication. For each stakeholder we have explained why we engage with them, key areas of interest, how we engaged with them and how their interests were considered in Board decision making.

Investing in relationships with our stakeholders

Delivering on our purpose and remaining attractive to customers is influenced by our stakeholder relationships. We invest time in listening to our key stakeholders to understand their needs, and use this insight to drive our strategy and actions. Our stakeholders are an integral part of Board discussions and decisions made, an important focus of which is balancing their needs, particularly where they may differ.

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 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 experience
- Trusted brands

How we engage

- Customer visits
- Digital interfaces
- Customer satisfaction surveys
- Responsible lending communications
- Product innovation
- Website tools
- Product information

42,000

customers participated in our purpose engagement and customer research

Employees and customer representatives

Why we engage

It is important that our colleagues feel safe, supported and engaged so that they are able to provide a great service to our customers. Creating opportunities to contribute and develop is vital to the sustainability of the business.

Key areas of interest

- Development opportunities
- Recognition and reward
- Wellbeing
- Ethical customer-focused culture
- Safe and productive working environment

How we engage

- Development programmes
- Engagement surveys
- Conferences and business updates
- Recognition
- Global Care Plan
- MyNews app, intranet, social media and email news
- Interactions with Workforce and Stakeholder Engagement Director

96%

colleagues completed ethics training

Regulators and legislators

Why we engage

Together with our sector trade associations, we talk to regulators and legislators 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
- Social inclusion
- Tax contribution
- Fair employment contracts
- Ethics training

How we engage

- Sector association membership
- Public consultations
- Engagement on draft regulations
- External advisor network
- Partnership with NGOs

55

sector association memberships

Suppliers

Why we engage

In collaboration with our key suppliers, we develop policies and improve practices to minimise sustainability risk within our supply chain. Our interactions 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

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

10,500

supplier partners across the Group

Communities

Why we engage

We work to forge meaningful relationships in the communities we serve to help support causes and address issues that colleagues and customers care about locally. Building better relationships also helps attract employees and customer representatives to work with us.

Key areas of interest

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

How we engage

- Financial literacy programmes
- NGO partnerships
- Financial wellbeing research
- Colleague volunteering
- Supporting causes chosen by colleagues

5,388

hours of volunteering by IPF colleague

Investors

Why we engage

Our investors expect to earn a return on their investment in a sustainable, ethical business. They want access to timely, fair and balanced information so they can understand our business and make an informed investment decision.

Key areas of interest

- Performance and growth potential
- Governance quality and effectiveness
- Regulation and credit risk
- Risk management
- Cash generation
- ESG risks and reporting
- Executive remuneration
- Dividends

How we engage

- Dialogue and meetings
- AGM
- Results presentations and trading updates
- Annual Report
- Roadshows and conferences
- Website
- Remuneration Policy engagement

£185m

of funding extended in 2021

Customers

Our customer engagement strategy, delivered through a range of channels, gives those we serve the opportunity to interact with our business in a way that suits them. In turn, listening to their feedback allows us to build a greater understanding of their needs and guides both Board and operational decision making, particularly as to how we can design simple, affordable and personal financial products and add value to their customer journey, ensuring it is always fair, transparent and flexible.

- Personal contact lies at the core of our home credit business model. Every year our customer representatives make thousands of home visits to customers, providing unique insight into their lifestyles and this further supports our data-driven affordability scoring process.
- We help our customers access credit when they need it. Our responsible lending principles and code of ethics form the foundation of our interactions in providing affordable credit.
- The executive directors and senior leadership team analyse customer experience and Net Promoter Scores as part of monthly performance reviews. They also review customer complaints to understand areas where we can improve operations and our response to customers.
- Paused by the pandemic, we returned to developing our customer experience across our European home credit operations. We undertook extensive engagement with customers to understand their experiences, affirm areas where we deliver well and importantly where improvements need to be made. The outputs of this engagement include more sophisticated customer response tracking, enabling instant feedback to identify areas to adapt. Customer Experience Committees have been created to bring the customer voice to market board meetings and Customer Voice forums have been introduced to share insights between customer-facing and non customer-facing colleagues.
- We are committed to respecting the choices customers make about how personal data is processed throughout our business. We protect customers' privacy rights and freedoms by implementing robust business processes and rules which are regularly monitored and tested. This is supported by mandatory training for colleagues on information security and data protection awareness.
- We support our customers and the causes close to them through our community programmes, from delivering financial literacy education and volunteering campaigns to supporting customers facing environmental crisis.

Considering customers in Board decisions

The Board engages with customers through twice-yearly strategy retreats where they form the central strand to discussions. They also receive insight through regular CEO board reports and presentations which include matters such as consumer behaviour, customer reputation and brand tracker surveys. These provide valuable insights into the relevance of the Group's product and services and guide future product development and customer communications. All major product developments are reviewed by the Board.

In 2021 the gradual lifting of travel restrictions enabled some Board members to revisit our operations in person. In Hungary and Poland, the Chair visited customers in their homes, listened to live customer calls and heard presentations covering the customer experience and the modernisation of customer service centres.

Key matters debated and agreed by the Board in 2021 included:

- The decision to relax credit settings, allowing more customers to access regulated credit and enabling them to buy the things they need.
- The decision to progress the roll out of our mobile wallet to our digital businesses once the concept had been proven in the 'test and learn' phase of product deployment.
- In line with our focus on growth and to capture the significant potential of our Mexico home credit division, the Board approved the expansion into new territories to support the ability to serve more customers in this market.
- Discussions relating to the importance of the customer journey and an improved customer experience so that our customers may benefit from our tailored credit offering, encourage them to return to us in the future and recommend our offering to others.

Employees and customer representatives

We are committed to developing a culture that develops and rewards talent, and enables colleagues to achieve their full career potential. We also recognise that their wellbeing and engagement are critical to creating a sense of pride in providing financial help to our customers in a fair and transparent way. Our people strategy focuses on listening to and engaging colleagues so they understand our purpose, develop their capabilities with us and feel inspired to give their best efforts when serving customers.

Our successful and evolving people strategy is built around three global pillars – Care, Perform and Develop.

Care

We place a huge importance on ensuring that our people are safe, connected and feel a true sense of wellbeing. In 2021, we expanded our Global Care Plan significantly:

- Safety is our number one priority and we continued to supply all colleagues with PPE so they could serve customers safely and confidently. We also transitioned colleagues from remote to flexible, hybrid working.
- We hosted a series of virtual events, including a Global Togetherness Day attended by 400 colleagues from all our markets who celebrated staying connected.
- We developed a global mental health awareness campaign to build understanding of good mental wellbeing.
- We performed a review of ISO 45003:2021 – the new guidelines for managing psychosocial risks in the workplace. We plan to utilise the guidelines to improve our processes during 2022.

Perform

- A key strategic focus was to further build upon the stability and engagement of customer representatives.
- We engaged with colleagues at our annual conferences to motivate them in their role to help rebuild the business.
- To attract and retain the best people, we developed and launched an employer value proposition.

Develop

- We hosted our first week-long learning festival which was open to all colleagues and attended by internal and external guest speakers. Twenty-six events created 40 hours of lectures, training sessions and master classes to build a global knowledge base for future self-improvement and onboarding.
- We introduced a global approach to development with the creation of learning pathways for customer-facing roles and we are specifically targeting an increase in the number of female customer representatives who are promoted to development manager.
- Based on feedback from graduates of our leadership development programme, Aspire, we refreshed the curriculum to focus on global collaboration and networking. We also engaged a globally-recognised educational establishment to help deliver the programme and enhance recognition from this valued institution.
- We launched a Learning Academy in Mexico.

Employer value proposition

During 2021, we developed and introduced an employer value proposition designed to retain our internal talent and attract the best external talent. Starting with extensive research, we sought insight directly from colleagues to our distinct proposition. We had tremendous engagement throughout each session and received incredibly valuable feedback that we are acting upon. As a result, we are now working on the creation of development pathways for all employees and a number of upgrades to our value proposition for customer representatives.

Our employer value proposition is centred around our purpose and focuses on how we build connections with customers and colleagues to make a true impact on society through financial inclusion. It signifies what our Group stands for and what we require and offer as an employer. It also clearly sets out and communicates the attributes that make our business distinctive, and delivers an experience that appeals to those people who will thrive and perform best in our culture.

800

participants contributed to our research

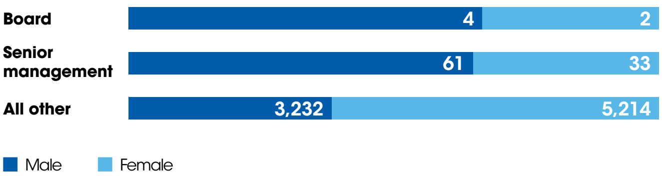
80

focus groups

Diversity

We need a diverse workforce that is reflective of our customer base and communities that we serve. We also want to make sure everyone feels welcome and included. Our customer representatives often live and work in the communities they serve. A large proportion have also been customers so have a deep understanding of our customers' lives, financial circumstances and credit needs. As an international company, we are fortunate to have a wide range of cultures and people groups. The membership of our Board is also diverse with nationals from Australia, the Netherlands and Ireland as well as the UK.

Gender split at 31 December 2021



In 2021, the definition of senior management was changed. It is defined as the executive committee or first layer of management below Board level, including the company secretary and direct reports.

Focus on women

In 2021, we introduced a series of initiatives focused on driving support of women at IPF, the first step of which was our inaugural Women's Conference in March. More than 300 female leaders including non-executive directors Bronwyn Syiek and Deborah Davis, colleagues and customer representatives gathered to inspire and share career development experiences.

Our European home credit business hosted a Women's Month to recognise female employees and raise awareness of their contribution to supporting customers.

In the UK, a new Women's Forum provided an environment to discuss career path development, mentoring and coaching support.

Looking ahead, this empowerment agenda including the Women's Conference will open up opportunities to further engage and develop female colleagues in terms of their professional careers, gaining new skills, boosting self-esteem, as well as bringing wellbeing to the fore.

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. All employees within our management team, procurement, marketing, legal, corporate affairs and human resources undertake training each year covering the Modern Slavery Act.

Considering colleagues in Board decision making

The lifting of people movement restrictions during the year allowed the Board to enhance in-person engagement with colleagues to complement the extensive use of virtual technology that was adopted during the pandemic. Our Workforce and Stakeholder Engagement Director, Bronwyn Syiek, had regular interactions with leaders to discuss people engagement and participated in multiple meetings with colleagues including human resource directors, corporate affairs directors, and the Mexico training and development team. Her feedback to the Board provided valuable and important insight into our relationships with stakeholders and specifically how colleagues feel about the business, its direction and actions taken to support them.

Key matters debated and agreed by the Board included:

- An annual stakeholder outreach plan as the foundation of Board stakeholder engagement to ensure stakeholders are fully aware of the Group's key strategic goals.
- Facilitated Board discussions focused exclusively on stakeholder engagement, supported by twice-yearly reports to monitor engagement activity and underpin Board decisions. In order to facilitate this, Bronwyn Syiek undertook the following:
  - Attendance at the Group's climate-related change workshop in June 2021 with senior leaders from across the business. This initiative together with the review and assessment of climate-related risks and opportunities relevant to IPF resulted in the Board classifying climate-related change as a principal risk to the Group.
  - Attendance at IPF's Women's Conference alongside non-executive director, Deborah Davis, to contribute to career development and learning discussions. The event also provided a unique opportunity for the Board to hear the voices of the extensive female talent across the Group.
- Reviewed and debated the purpose strategy proposed by the executive team.
- The results of the 2021 Global People Survey were presented to and reviewed by the Board.
- The Board hosted a 'skip-a-level' dinner with members of the UK team, without members of the senior leadership team present, enabling the Board to meet a range of colleagues from finance, credit, legal, HR and IT to gain valuable insight into colleagues' views on a wide range of matters.
- The Board approved the resumption of the employee SAYE scheme, which supports engagement, financial wellbeing and aligns with shareholder interests.

Communities

Building better relationships with those that live and work in our communities sits at the heart of our social purpose. Our international teams support local charities, community groups and individuals through financial education and volunteering support to improve the quality of life in our communities.

Our global network of 22,000 colleagues helps us to be a highly visible and valuable member of our local communities. In 2021, our community initiatives reached more than 7 million people and since 2017 we have invested £3.9 million in programmes to support the communities where our colleagues live and work.

Volunteering

Volunteering is an important way to engage with communities and every year colleagues join campaigns to support the causes they care about. In times of need, they also choose to help and support our customers well beyond their day-to-day roles. In 2021, our colleagues told us that despite the pandemic, they wanted to continue contributing to our annual volunteering month. Consequently, more than 1,200 colleagues volunteered in their communities in May. Their efforts included:

- **400 colleagues** in Mexico volunteering to set up a toy collection for 400 children. They also created two computer labs for 200 school children and participated in the Provident Run to raise funds for children with cancer;
- **130 colleagues** in the Czech Republic signed up to running 10,000 km in support of two shelters for children; and
- **120 colleagues** joined the Provident Run in Poland to raise funds to support terminally ill children.

The Invisibles

During 2021, colleagues in the Czech Republic developed a highly effective campaign highlighting the plight of underprivileged, marginalised and excluded members of society. Extensive research revealed more than 10% of the population are deemed to be "Invisible". The campaign highlighted five groups – Young Families, Lone Parents, Shadow Economy Workers, Poor Students and the Experienced but Unemployed. In addition to an extensive media campaign to raise awareness of this issue, the programme focused on building a platform to connect the Invisibles with public institutions and partner NGOs who can provide support. To date, the programme has attracted over 15,000 visitors to its website and 4,500 fans to the dedicated Facebook profile. The next phase will involve engaging more NGOs and public sector stakeholders to endorse the programme. More media attention and a larger base of partner organisations will be instrumental in aiming for systematic changes which can effectively support the inclusion of the 'Invisibles' back into society. Following feedback from colleagues and community partners as part of our purpose engagement work, we are looking at the possibility of extending this campaign into a global initiative supported by all our markets.

Financial education

For many customers, we are their first contact with a financial services business so it's crucial to help them make informed financial decisions. Our annual financial wellbeing research has consistently found that many consumers do not receive formal financial education and would value the opportunity to learn about budgeting. This was also the case in 2021 when only 54% of respondents said they felt confident about financial products and services. In response, we established and supported financial education programmes that promote financial skills development, help consumers engage with the financial sector with more confidence, and make informed decisions about their budget. In 2021 our business in Romania received two awards for their 'Open Provident' campaign recognising our efforts to promote financial education to consumers.

Colleagues in Poland volunteering in their local community in 2022

Considering our communities in Board decision making

The Board fully understands that relationships we build with our communities are fundamental to our wider engagement in society and supports engagement activities to further strengthen these.

Key matters debated and agreed by the Board included:

- Feedback from the Chair on recent visits to customers' homes reinforced the fundamental role our representatives have in the communities in which we operate and their continued relevance to the next generation of borrowers.

Regulators and legislators

We support regulation that protects consumers and ensures that only responsible businesses are permitted to provide financial products and services. We 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 we are an important member of a well-functioning market playing a vital role in affordably extending financial inclusion in society.

We engage in each of our markets through a range of industry forums, meetings, legislative consultations and conferences to communicate our views to policy makers.

We engage through relevant industry associations about legislative plans or proposals. Feedback from regulators and legislators indicates their preference to talk to groups of companies rather than individual market players. It also contributes to maintaining high standards across the industry, building a positive reputation and creates a sustainable regulatory and operational environment.

We are also committed to working with regulators and legislators to help shape the regulatory future of the consumer lending sector. In Romania, for example, we worked with a research institution in 2021 to map the views of politicians, regulators and journalists on the health of the financial system, financial regulation and financial education. This work should also contribute to a more sustainable financial regulatory environment in the market.

Considering regulators and legislators in Board decision making

The Board receives regular updates on legal and regulatory developments in Board reports and from presentations by the leadership team including the Group Corporate Affairs Director and the Chief Legal Officer.

Key matters debated and agreed by the Board included:

- The changes in our credit risk management strategy as temporary Covid-19 legislation was extended or lapsed during the year.
- Agreed the regulatory engagement strategy to support the review of the EU Consumer Credit Directive.
- Discussed and agreed a range of possible strategies in connection with potential consumer credit legislation in Spain, Poland and Romania.
- The impact of the legal interpretation of Spanish usury laws resulting in the difficult decision to cease lending in Spain. In reaching this decision, the Board considered the impact on other stakeholders, including colleagues, customers and communities.

Suppliers

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

Our Voice of the Supplier survey, undertaken at the end of 2020, helped us better understand our strengths and address areas for development. In response, we are developing a Supplier Relationship Management strategy devoted to procurement standards for strategic and critical partners including defining supplier strategy, contact frequency, partner ratings and regular two-way qualitative feedback.

When working with suppliers who process customer or employee data, we ensure the appropriate due diligence is carried out through internally conducted pre-assessments (including security verifications) to ensure that appropriate safeguards are in place with mutual rights and obligations carefully addressed in the Data Processing Agreements.

Considering suppliers in Board decision making

The Board recognises the importance of partnering with suppliers that share our values and sustainable approach to business. The Board is fully supportive of the operational policies and procedures in place that help to govern and guide these relationships.

In 2021 the Group's Responsible Procurement Policy, which consolidates the processes and standards that must be followed when choosing and working with suppliers, was refreshed to ensure that all IPF Group companies only collaborate with responsible suppliers.

Key matters debated and agreed by the Board included:

- Approval of key contracts in line with the delegation of authority and matters reserved for the Board.
- Kept abreast of developments planned as a result of the Voice of the Supplier survey.

Investors

We engage with shareholders, providers of debt funding and credit ratings agencies so they understand the business and can make informed decisions on investing in and rating IPF. We undertake a proactive engagement programme through one-to-one and group meetings, regular results and strategy announcements, webcasts and the AGM. All key information is available on our website at www.ipfin.co.uk.

- Open and regular dialogue with investors ensured that our Covid-response strategy to rebuild the business was clearly articulated and well understood. More than 400 investors and analysts joined the results webcasts and conference calls, with a record number of questions demonstrating the high level of interest in the business.
- We hosted virtual meetings with 40 institutional investors following the full and half-year results. This provided the opportunity for investors and non-holders to meet management and discuss material matters.
- Workforce and Stakeholder Engagement Director, Bronwyn Syiek, engaged directly with shareholders during a number of meetings with investors.
- The Board considered that it was in the Company's best interests to proceed with the 2021 AGM but in light of restrictions resulting from the pandemic, it was attended in person by a limited number of Company representatives. Shareholders were fully informed and invited to appoint the Chair of the meeting as their proxy to vote on the proposed resolutions.

Developing our ESG strategy

Increasingly, we are engaging with investors on ESG matters as part of their screening diligence, with particular focus on responsible lending, climate-related change, diversity and data security. As a business with a strong social purpose and long history of creating financial inclusion opportunities, we strengthened our ESG approach to ensure we deliver on our purpose in a responsible and transparent way and underline our commitment to respond to climate-related change. The strategy was developed following extensive engagement with our brokers, funding partners and investors to identify material ESG matters – both current and emerging. The Board also took an active role in engaging with the ESG development journey. It regularly assessed material ESG-related developments including financial inclusion, affordability and information security and how they are considered in managing the business. The climate-related change roadmap to meet the recommendations of the TCFD was agreed and a leading investment fund manager attended a meeting to further educate the Board on how ESG factors are incorporated into investment research frameworks.

Considering our investors in Board decision making

Board engagement with investors is primarily through the CEO and CFO who meet investors to present the Company's results and discuss strategic issues. Investor feedback is gathered formally twice a year, providing an excellent opportunity for the Board to consider their views in decision making.

Key matters debated and agreed by the Board included:

- A review of feedback from investors who provided positive comments in relation to how management was navigating the pandemic, executing successfully the return to growth plan and the welcome resumption of a dividend at the half year. Investors also highlighted areas for future focus by management, including the rebuilding of IPF Digital, succession planning and communication to support an improved valuation of the Group.
- Through the Remuneration Committee, the Board consulted with the Company's major shareholders on remuneration matters in the 2020 Directors' Remuneration Report which was approved at the 2021 AGM.
- Development of the next phase of the Group's rebuild strategy at a dedicated session to agree strategic priorities. In conjunction with the Company's broker, consideration was given to investor sentiment and feedback on our strategic direction.
- Approved the proposed funding strategy which resulted in the successful issuance of a new three-year SEK 450 million bond at a reduced cost of funding, and the extension of £148 million of bank facilities.
- Approval of the resumption of the interim and final dividend, and a new progressive dividend policy.

Environment

The Board is committed to managing the Group's environmental impact through responsible resource use and education for our people, recognising that the direct environmental impact through the use of transport, energy and natural resources should be conducted in a way that causes the least possible harm to the planet.

As a consumer financial services business, we consider the Group's direct carbon-emission footprint to be relatively small compared to some other sectors and recognise that the risks and opportunities for the business are emerging from, and driven mainly by, the external landscape in which we operate.

We seek to minimise our environmental impact by regularly reviewing our direct and indirect impact. Data is compiled in all our businesses and analysed by our sustainability function. The actions we take to minimise and reduce our environmental footprint include:

- Car fleet reviews to reduce fuel consumption and CO_2 emissions;
- Route optimisation for customer representatives visiting customers;
- Our MyProvi mobile app for customer representatives reducing paper usage and improving efficiency; and
- Office consolidation, where appropriate, reducing water, electricity and gas use.

In 2021 we also introduced a number of climate-related initiatives:

Provident Forest

We set up a green partnership in Poland with the social foundation Dotleni.org assigning a proportion of revenue generated by sales for planting trees. Members of our team volunteered to plant the saplings, helping to create a forest of 40,000 trees in the north east of Poland, which will produce 5,600 kg of oxygen in 24 hours, the equivalent to the demand of around 20,000 people, and will absorb 28,800 kg of CO_2 every year. Similar initiatives are taking place in Romania and Hungary.

Five for the Planet

We designed a global education programme for all colleagues to improve environmental awareness. In collaboration with one of Poland's leading climate experts, Sylwia Majchrzak, the campaign advised colleagues how they can reduce their carbon footprint and be more environmentally conscious.

ProviGreen

Our colleagues in Hungary launched a long-term programme aimed at raising environmental awareness and introducing climate change risk and opportunities in making business decisions. As a part of this programme, roles, responsibilities and controls regarding climate change have been embedded into the overall management structure.

Green IT

Our IT strategy now includes green computing initiatives to reduce the environmental effect of our operations. The leading light has been the introduction of MyProvi – our agent mobile app that has digitised the sales and collections service to home credit customers and reduced paper consumption significantly. Switching our data centres to the public cloud, has not only improved data security, it will deliver environmental benefits due to lower carbon emissions and electricity consumption. The use of the public cloud means that we can flex the amount of computing power we use by scaling up and down based on the required performance.

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 – Scope 1 and 2 Greenhouse Gas emissions and energy consumption data. We do not currently consider the monitoring of Scope 3 emissions to be appropriate for our business. We have applied the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard to calculate our emissions data and have used emission factors from the UK Government's GHG conversion factors and the current edition of the IEA emission factors for non-UK electricity. To calculate GHG emissions we include all entities within the IPF Group and all our offices. We state emissions per customer because we believe that it is the most quantifiable factor associated with the nature of our business. We monitor and report this ratio to the Board. These sources fall within our Consolidated Financial Statements. Where available data was incomplete, we have extrapolated data.

In 2021, our GHG emissions for Scopes 1 and 2 increased by 4.3% compared with 2020 as we began to rebuild the business following the impacts of the pandemic. As people movement restrictions were lifted, colleagues in most of our markets returned to work in our offices on a flexible basis and travelled to visit customers more regularly. This resulted in a 12.1% increase in business-related car travel compared with 2020, when customer visits, in particular, were curtailed as a result of the pandemic. We did, however, reduce the consumption of district heating significantly by 21.1% compared with 2020 as we rescaled the business and consolidated our office infrastructure where it was appropriate to do so.

In 2021, we observed an increase in CO_2 emissions per customer of 14.5%, back to levels reported in 2019 prior to the pandemic.

Our carbon emissions report has been reviewed and verified by Be Sustainable Limited and the statement of verification can be found on our website at www.ipfin.co.uk. We aim to further improve our environmental data collection and management system by considering recommendations from this review, which include setting emissions targets and expanding reporting scope, and plan to incorporate the most appropriate actions into our climate-related change strategy in 2022.

ESG ratings

MSCI ESG RATINGS AA

FTSE4Good

Carbon emissions report

Carbon emissions sources	Travel and utilities	Tonnes CO_2e 2020	Tonnes CO_2e **2021**	Tonnes CO_2e Difference
Scope 1	Gas	1,008	**462**	(54.1%)
	Business travel by car	16,304	**18,277**	12.1%
Scope 2	Purchased electricity and district heating	2,665	**2,102**	(21.1%)
Scope 1 and 2		19,976	**20,841**	4.3%
	CO_2e emissions by customer	0.011	**0.013**	14.5%

Note:
Scope 1 carbon emissions do not include leakage 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 emissions factors have been used for non-UK countries for more precise accounting. Note that the IEA electricity factors are for CO_2.

TCFD

In 2021,we embarked upon a process to develop our climate-related strategy and identify the key opportunities and risks posed by climate change that relate to IPF. Our aim was to better understand where the business is in terms of climate-related challenges and how our strategy should be developed in response to these.

In accordance with Listing Rule (LR 9.8.6(8)) the table below provides details of our compliance with the TCFD recommended disclosures. Where we have not complied, we have provided an explanation as to why this is the case and the steps being taken to enable disclosure. We have also included the timeframe within which we expect to be able to make these disclosures.

We also report on the most material carbon emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 on page 47.

TCFD recommendations	Explanation	Next steps and timeframes
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities.	We consider that we are compliant with this recommendation. The Board considered and approved the climate-related change strategy to deliver compliance with the TCFD recommendations. As a result the Board has direct oversight of climate-related risks and opportunities.	It is the Board's intention to examine relevant targets and metrics in 2022 with a view to monitoring progress against these commitments in future years. Discussions on climate-related risks and opportunities will also be incorporated in to the Board's twice-yearly strategy reviews.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	We consider that we are compliant with this recommendation. A risk owner has been appointed with specific responsibility for managing climate-related risks and opportunities across the Group. The requirements of our key stakeholders were considered and climate-related risks and opportunities identified in relation to their expectations. These considerations included potential impacts on the Group's financial performance, reputation and funding. This assessment concluded that climate-related change is a significant risk to the business and it was therefore proposed, and subsequently agreed by the Board, that it be included as one of the Group's principal risks.	At an operational level, management of climate-related risk and opportunities will be co-ordinated among existing functional committees. This is because the climate-related risks and opportunities identified have strong links with other principal risks including reputation, safety, credit and product. We are now in the process of developing a transition plan which will include timelines for achieving a net zero goal.
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	We consider that we are compliant with this recommendation. The material climate-related risks and opportunities relating to IPF were identified. These are detailed together with relevant timeframes on page 50.	The material climate-related risks and opportunities, together with relevant timeframes, will continue to be reviewed and monitored in line with the Group's well-established risk management framework in 2022 and over the longer term.
b) Describe the impact of climate-related risks and opportunities in the organisation's businesses, strategy, and financial planning.	We consider that we are not currently compliant with this recommendation. Due to the focus in 2021 being on identifying the most material climate-related risks and opportunities pertinent to the business, this assessment has yet to be undertaken.	The aim in 2022 is to produce an impact assessment scale to measure the impact of climate-related risks on the Group's strategy, business model and financial planning. This will include products and services, value chain and access to capital, and will be undertaken as part of the Group's regular risk assessments. Discussions on climate-related risks and opportunities will be incorporated in to the Board's twice-yearly strategy reviews.

TCFD recommendations	Explanation	Next steps and timeframes
Strategy continued		
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We consider that we are partially compliant with this recommendation. Our focus in 2021 has been on identifying the most material climate-related risks and opportunities pertinent to the business and, as such, we have not yet considered different climate-related scenarios. We have, however, undertaken an exercise to understand the range and extent of meaningful climate-related scenarios, guidelines and standards set by external organisations.	We aim to commence the process of scenario analysis in 2022.
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks.	We consider that we are compliant with this recommendation. The process for identifying and assessing climate-related risks began with a consultation with the Group's senior leadership team which included an engagement workshop on climate-related change. Non-executive director, Bronwyn Syiek, attended this session to provide Board oversight. A detailed process to generate a gap analysis was also undertaken to build a broader understanding of climate-related issues. This analysis, together with a benchmarking exercise against peers, identified how current internal processes and reporting compared to the TCFD recommendations, and where there may be gaps in disclosure. To ensure a comprehensive view and scope of assessing climate-related risks, we also developed a taxonomy of climate-related risks aligned to the TCFD recommendations.	In 2022, we aim to evaluate the risks in terms of likelihood and impact utilising the impact scale described above.
b) Describe the organisation's processes for managing climate-related risks.	We consider that we are compliant with this recommendation. The management of climate-related risks is now integrated into the Group's well-established and robust enterprise risk management framework as described on page 52.	We are in the process of developing a transition plan which we intend to implement during 2022.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	We consider that we are compliant with this recommendation. We identified climate-related risk as a principal risk and as such it is integrated into the Group's enterprise risk management framework as described in detail on page 52.	In 2022 and in the longer term, updates on the assessment and management of climate-related risks will be reported to the Board twice a year through the Audit and Risk Committee as part of the Group's enterprise risk management framework.
Metrics and targets		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	We consider that we are partially compliant with this recommendation. Our focus in 2021 was to identify the most material climate-related risks and opportunities pertinent to the business and, as such, we have not yet agreed the metrics we will use to assess climate-related risks and opportunities. We did, however, begin the process of identifying any existing metrics that could be used in our future assessments.	In 2022, we aim to complete the process of assessing relevant internal metrics as well as identifying new metrics, in order to assess our material climate-related risks and opportunities. This will include the development of methodologies to calculate these targets and agreement on timeframes on relevant KPIs. In addition, as part of the work to develop the 2023 Remuneration Policy, which is being reviewed in 2022, we will consider appropriate metrics.

TCFD recommendations	Explanation	Next steps and timeframes
Metrics and targets continued		
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	We consider that we are compliant with this recommendation. We calculate Scope I and Scope 2 GHG emissions and energy consumption data for all our offices. We do not currently consider the monitoring of Scope 3 emissions to be appropriate for our business. Further details are reported on page 47.	In 2022 we will consider the implications of calculating GHG emissions for other operational activities. As part of these assessments, we will consider further whether monitoring Scope 3 emissions is appropriate to our business.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We consider that we are not yet compliant with this recommendation. Our focus in 2021 has been on developing an appropriate climate-related strategy for the Group and identifying the material climate-related risks and opportunities and as such we have not yet agreed any targets.	We aim to consider the most relevant climate-related change targets for the Group including a net zero goal as we advance our climate-related strategy in 2022.

Material risks and opportunities

The concentration of climate-related risks are most relevant to our medium-term strategy, while opportunities are linked to our longer-term strategy:

Material risks	Opportunities	Horizons
– Physical risks (fires, floods, other natural disasters, etc.) to our customers, customer representatives and employees. – Regulatory and litigation risks due to our inability to comply with environmental law. – Shareholder risks due to a perceived lack of an appropriate Group strategy to address climate-related risks.	– Operational opportunity- greater efficiency and cost reduction through reduced air travel. – Opportunity – Resource efficiency	**Short-term** (<1 year)
– Regulatory and litigation risks due to our inability to comply with environmental law. – Reputational risks resulting from stakeholders' negative perception of the Group's inability to transition effectively to a lower-carbon economy. – Shareholder risks due to a perceived lack of an appropriate Group strategy to address climate-related risks. – Competition risks due to failure of the Group to take appropriate action on climate-related issues.	– Operational opportunity – greater efficiency and cost reduction through reduced air travel. – Opportunity – Resource efficiency – Market opportunity – competitive advantage (including talent attraction) by effectively communicating the Group's approach and progress on climate-related issues. – Market opportunity – lower-priced funding.	**Medium-term** (between 1 and 5 years)
– Transition risks due to unexpected costs incurred in moving to a net zero economy.	– Market opportunity – lower-priced funding – Market opportunity – new 'green' products and services expanding customer choice.	**Long-term** (>5 years)

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 – A purpose-led business – p6-13 – Key performance indicators – p24-25 – Principal risks and uncertainties – p52-58	– Customer numbers – Returning home credit customer retention – Customer recommendations
Employees	– Code of ethics – Group health and safety policy – Wellbeing policy – Diversity policy	– Stakeholder review: Employees and customer representatives – p41-42 – Stakeholder review: Diversity – p42 – Board diversity – p42, p65 and p80 – Equal opportunities – p78 – Principal risks: People and Safety risks – p56 and p57	– Employee and customer representative retention – Risk assessment completion by customer representatives – Percentage of relevant employees and customer representatives completing safety training
Human Rights	– Code of ethics – Human rights and modern slavery policy	– Chairman's Statement: Our values – p4 – Responsible lending principles – p8 – Stakeholder Review: Human rights – p42	– Access to confidential whistleblowing service – Percentage of relevant employees and customer representatives completing ethics and modern slavery awareness training
Social Matters	– Code of ethics – Tax Strategy	– A purpose-led business – p6-13 – Principal risks: Reputation risk – p57 – Stakeholder review: Communities – p43	– 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 – p40 – Anti-bribery policy – p78	– Percentage of relevant employees and customer representatives 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		– TCFD – p48-50 – Greenhouse gas reporting – p47	– Tonnes of CO_2e emissions per customer per annum
Principal Risks		– Principal risks and uncertainties – p52-59	
Non-financial KPIs		– Customer numbers – p25 – Returning home credit customer retention – p25 – Employee and customer representative retention – p25 – Customer recommendations (Net Promoter Score) – p25	

Principal risks and uncertainties

In order to deliver long-term shareholder value and to protect our people, assets and reputation, effective management of risks, uncertainties and opportunities continues to be critical to our business particularly in times of heightened uncertainty.

Risk management process

Our risk management process is tailored to deliver appropriate and adequate information to ensure risk information is considered in the wider business decision-making process, our Board has relevant risk data to perform its supervisory role, and that Group risk management activities are aligned to the UK Corporate Governance Code (2018).

A principal risk to the Group is any uncertainty that could have a significant impact on the strategic objectives or on a key stakeholder expectation. They are identified, evaluated and managed in accordance with the risk governance and oversight structure as illustrated on page 53.

A bottom-up assessment (i.e. operational perspective) of risks by our business-level teams is aggregated by their Group-level owners and then validated to produce an overall assessment (i.e. top-down, strategic perspective) of those risks.

In 2021, we continued to identify and manage the same principal risks as last year but, following a review of climate-related risks and opportunities, we decided to include climate change within the enterprise risk management process, in alignment with the above-mentioned definition of principal risk.

In addition, world economic environmental risk factors have been reflected in specific principal risks for the past few years and as such, we decided to remove this category from the principal risks list.

We set out our principal risks, key focus areas during 2021, a summary of key controls and mitigating factors as well as their movement during the year on pages 54 to 58.

Risk appetite

We evaluate each risk at least quarterly based on the likelihood and potential 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.

In addition, we measure and monitor the key risk indicators set for each principal risk. Using this assessment, we then compare the level of current risk with the Board-approved risk appetite and determine whether further actions are required to mitigate the risk to fit within our Board-approved risk appetite levels.

Risk appetite is reviewed and approved by the Board at least on an annual basis.

Our risk management strategy involves mitigating, to the maximum reasonable extent, those risks which are within our control. Externally-driven risks are actively monitored to ensure prompt response, should the context become favourable, to further mitigate the risk and are subject to contingency planning to ensure business resilience.

We further separate risks into strategic and operational risks. This allows us to identify those risks that will be addressed through our strategy and those that will be addressed through our internal control framework.

Emerging risks

With the consideration of climate change risks and opportunities, we have updated our definition of emerging risks. In our view, an emerging risk is that existing or future trend which could have a significant impact on the Group, where the likelihood, timescale and / or materiality may be difficult to accurately assess. Emerging risks are monitored to determine if they have become significant risks and if any mitigating actions should be taken.

While we are currently working to fully embed this updated definition of what emerging risks represent to us, we have identified a number of trends that follow the above definition:

- Climate change: We are shaping our strategy to address climate-related change matters and our risk management approach, as detailed in the case study on page 53 and our TCFD disclosures on pages 48 to 50. We currently consider climate change to be an emerging risk and have further identified it as a principal risk that will be actively addressed through the enterprise risk management framework. Disclosure of the assessed impact of climate change as a principal risk will be made for the first time in the 2022 Annual Report and Financial Statements.
- Technology: Advancements in technology will bring opportunities to improve our business model, but can also pose a certain amount of risk of not aligning to the pace and direction of these advancements. We have a Board-level committee that oversees technology-related risks that is focused on this specific emerging risk;
- Competition: Competition posed by disruptive business models including 'buy now pay later' is a market trend that we actively monitor. It is less clear what will be the appeal and reach of these models to our core customer segment and the impact it might have on our business. This is, therefore, considered an emerging risk.

Risk governance and oversight structure

Our framework for the identification, evaluation and management of our principal and emerging risks is illustrated on the following page.

The framework has been designed to ensure there is adequate oversight on how risks are managed across the Group, and to allocate roles and responsibilities in the risk management and internal control systems.

The three lines of defence

Risk ownership and assurance is defined in alignment with the three lines of defence principles as follows:

- *Business-level risk ownership:* business-level management identifies, assesses and controls risks principally at market level and 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; and
- *Independent-level risk ownership:* Internal Audit reviews the operation of and oversight to the systems of internal control, including risk management.

Climate-related change

We acknowledge the growing expectations of stakeholders as to how the Group approaches climate change matters. As we moved into 2021, we embarked upon a process in partnership with an external consultancy to develop our climate-related change strategy and further understand the requirements of the TCFD. This initiative involved undertaking a detailed gap analysis, including a benchmarking review of peers, together with a climate workshop for senior leaders across the Group, including members of the Group Board, the UK leadership team and country managers.

The main output of this activity was the identification of a number of material opportunities and risks relating to the global climate challenge, details of which are included in the TCFD section on pages 48 to 50. This review and assessment of the climate-related risks and opportunities relevant to IPF resulted in the Board classifying climate change as a principal risk to the Group. The risk is defined and considered internally as the risk resulting from climate change, including physical consequences of future climatic conditions on our colleagues and customers as well as from the transition to a low-carbon economy.

Early in 2022, we clarified the roles and responsibilities for the management of climate-related risk, including a dedicated risk owner. We are also working to define and embed the risk management strategy for this particular principal risk, including risk response actions, a core list of key risk indicators, and relevant thresholds, to help measure the current level of risk and anticipate future exposures.

As a principal risk under our wider enterprise risk management framework, risks and opportunities relating to climate-related change will be assessed on a quarterly basis and reported to the Board, through the Audit and Risk Committee, twice a year. It will also be part of our regular risk communication plan to all key stakeholders, including disclosures in future annual reports.

The Board is committed to proactively addressing climate-related risks and opportunities.

Risk governance and oversight structure

Assurance through three lines of defence

Business-level:

Identify, assess and control risks in business unit

Group-level:

Oversight on effectiveness of risk management and internal control systems

Independent-level:

Review of operation and oversight of internal control, with Head of Internal Audit reporting to Chair of the Audit and Risk Committee of the IPF plc Board

Risk	Exposures	Measurement, mitigation and monitoring	Risk environment
1 Regulatory			
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.	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. The likelihood of legal and regulatory change and the impact of challenge vary by market and the area of regulation, but the majority have already introduced price legislation and strengthened consumer protection regulation, although there remains a likelihood that further changes may be made.	Highly skilled and experienced legal, public affairs, compliance and data privacy teams at Group and market level. Monitoring political, legislative and regulatory developments and risks. Expert third-party advisors used where necessary. Engagement with regulators, legislators, politicians and other stakeholders. Active participation in relevant sector associations. Compliance programme focused on key consumer legislation and 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.	All temporary legislation introduced in response to the pandemic in 2020 expired, except the repayment moratorium in Hungary. New early-settlement rebate standards in Poland resulted in higher payments to customers settling their agreements early. The European Commission commenced a review of the Consumer Credit Directive. Draft consumer credit proposals including potential changes to rate caps were published in Poland and Romania. For more information see the CEO's review on pages 19 and 20, and the operational review on page 27.
2 Competition and product proposition			
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 promote financial inclusion by delivering customer-focused products that drive profitable growth.	In an environment where customer choice is growing, ensuring our products meet customers' needs is critical to delivering a sustainable business. 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 responses on competition threats. Product development committees and processes in place to review the product development roadmap, manage product risks and develop new products.	Following a lull in competitor activity in 2020 as a result of the pandemic, levels of competition increased in 2021. We continue to develop our propositions to improve financial inclusion, enhance customer value, improve the customer experience, and extend our digital and mobile propositions to meet consumers' changing needs. We will seek to offer point of sale finance at retailers popular with our customer segment.

Risk environment

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

Risk appetite

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

Risk	Exposures	Measurement, mitigation and monitoring	Risk environment
3 Taxation			
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.	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. 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 advisors used for all material tax transactions in line with tax strategy. Binding rulings or clearances obtained from authorities where appropriate. Appropriate oversight at executive committee-level over taxation matters.	We are awaiting 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. During the year international tax developments have been monitored, including with regard to the OECD's minimum corporate income tax initiative ("Pillar 1 and 2"). To date, no adverse financial impact on the Group is expected. See the financial review on page 35 for further detail.
4 Technology and change management			
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. We look to maintain systems that are adequate to support the ongoing operations in the business and deploy new technology that supports future business strategy.	Technology risks can arise from speed of technology advancements that could make current technology obsolete or require significant effort to align it to strategic requirements. Another significant factor is the availability of technical skills internally or with partners. The Group executes a significant change agenda and risks can arise if the number of changes becomes too great, if the benefits realisation process is not adequate or we fail in adequately managing the risks in projects, programmes and portfolios.	Change management framework and monitoring process in place. Appropriate methods and resources used in the delivery of programmes. Continuous review of programmes, with strong governance of all major delivery activity. Ongoing reviews of services and relationships with partners to ensure effective service operations. Annual review to prioritise investment in technology and ensure appropriateness of the technology estate. Technology Committee oversees technology and change risks.	The key focus in 2021 was to deliver solutions for "customer-facing" activities, and reduce the risk of technology obsolescence. This included e-licensing in IPF Digital, product development, territory extension and commercial partnerships. See the Technology Committee Report on page 88 for further detail.

Risk	Exposures	Measurement, mitigation and monitoring	Risk environment
5 People			
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.	The Group's largest people-related risk relates to turnover in our customer representative population. Other key risks include: – Critical skills shortage – Lack of succession to critical roles – Recruitment risks – Appropriate use of reward and compliance with delegated authority from the Remuneration Committee	Our HR control environment identifies key people risks and controls to mitigate them covering: – Monitoring and action with regards to key people risks and issues – Appropriate distribution of strategy-aligned objectives – Key people processes Our people, organisation and planning processes ensure that we develop appropriate and significant strength and depth of talent across the Group and we have the ability to move people between countries, which reduces our exposure to critical roles being under-resourced.	The pandemic has resulted in companies competing for a limited talent pool due to increased longer-term sickness, and career shifts for certain employee segments. Actions to retain, develop and engage customer representatives were undertaken to understand how we can make their experience more rewarding. We will re-engineer the customer representative value proposition Our continued Care Plan, designed to ensure the health, safety and wellbeing of our people, supported engagement and retention of talent during the pandemic. We developed a number of capabilities including internal personal development and external talent acquisition. We also focused on retaining and developing our most talented employees through tailored leadership and engagement programmes. For further information see pages 41 and 42.
6 Business continuity and information security			
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 unavailability, loss, unauthorised disclosure 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 a level as reasonably practicable.	Unable to perform the necessary day-to-day activities in our business, leading to loss of income, increased impairment, regulatory failings, reputational impact and staff, agent and customer attrition. 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.	Robust business continuity and information security policies. Annual review of critical processes, business impact analysis risks and mitigations. Periodic testing and ongoing monitoring of security and recovery capability for technology and business processes. Skilled team with relevant specialist qualifications. Dedicated committees (including Board-level) oversee business continuity, information security, and technology and change risks.	In 2021, we revisited the Group business continuity framework focusing on operational resilience, including the transfer of data to cloud-based facilities. We developed a three-year roadmap to improve cyber and information security defence in light of increased risks of hybrid home-office practices. No security incidents resulted in significant impact to the business during 2021.

Risk environment

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

Risk appetite

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

Risk	Exposures	Measurement, mitigation and monitoring	Risk environment
7 Reputation			
Lead responsibility: Chief Executive Officer We suffer financial or reputational damage due to our methods of operation, ill-informed comment, malpractice, fines or activities of some of our competition. **Objective** We aim to promote a positive reputation based on our purpose, ethical standards, our commitment to responsible lending via proactive engagement with all our stakeholders, including media.	Our reputation and that of the consumer lending sector can impact customer sentiment and the engagement of key stakeholders, and as such our ability to serve our customers. Some elements of this risk relate to external factors that are beyond our influence. Controls in place have reduced residual risk.	Clearly defined corporate values and ethical standards are communicated throughout the organisation. Employees and customer representatives undertake annual ethics e-learning training. Regular monitoring of key reputation drivers both internally and externally. Media and key stakeholder strategy to support the key drivers of our business reputation and that of the non-banking financial institution sector. Strong oversight by the senior leadership team on reputation challenges.	The impact of the pandemic increased negative sentiment against the financial sector. We proactively maintain dialogue with customers to enable continued access to credit, and offer repayment support where appropriate. We received awards recognising our business as a top employer, our high standards of customer experience and for being a socially responsible business. We maintain strong relationships with key stakeholders to develop their understanding of our business model, our purpose and role in society and how we deliver services to our customers. This helps protect the business from unforeseen events that could damage our reputation.
8 Safety			
Lead responsibility: Chief Executive Officer The risk of personal injury or harm to our customer representatives or employees. **Objective** We aim to maintain adequate arrangements and controls that reduce the risks to as low as is reasonably practicable.	A significant element of our business model involves our customer representatives 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. 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 customer representatives. Improvements, however, are constantly sought to reduce the risk where possible.	Safety management systems based on internationally recognised standards. Market safety committees. Annual safety survey. Biannual Safety Campaigns including refresher training for all employees and customer representatives. Annual self-certification of safety compliance by managers. Regular branch safety meetings and safety performance reviews. Role-specific training and competence.	Covid-19 presented the most significant health and safety risk. Vaccines offer the greatest protection and we encourage vaccination for all colleagues. This is supported by extensive Covid-19 prevention training and PPE provision to keep colleagues safe and minimise the risk of workplace transmission. 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. Mexico home credit has now entered the ISO 45001 accreditation process with a plan to gain certification in 2022.
9 Funding, market and counterparty			
Lead responsibility: Chief Financial Officer The risk of insufficient availability of funding, unfavourable pricing, or that performance is significantly impacted by interest rate or currency movements, or failure of a banking counterparty. **Objective** To maintain a robust funding position, and to limit the impact of interest rate and currency movements and exposure to financial counterparties.	Debt investors risk appetite and strategy may change over time and this could lead to adverse funding terms or limited availability of credit. In addition, the interest and foreign currency rate changes may lead to adverse changes in the cost of funding.	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.	Strong debt funding position. SEK 450 million Swedish Krona bonds refinanced at a reduced cost of funding and extended £148 million of bank facilities. Fitch revised the Group's outlook from Negative to Stable and reaffirmed its BB- credit rating while Moody's reaffirmed the Group's credit ratings at Ba3. For further information on funding see the financial review on pages 34 and 35.

Risk	Exposures	Measurement, mitigation and monitoring	Risk environment
10 Credit			
Lead responsibility: Chief Financial 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.	Increased impairment due to aggressive growth plans. Reduced profit due to unexpected levels of credit or fraud losses. Not achieving growth potential because credit controls are too restrictive.	A comprehensive credit control framework developed using data and experience from years of operating in our specific customer segment and markets. Weekly cycle of credit reporting and performance calls between each business and the Credit Risk Director. Monthly cycle of portfolio quality and scorecard monitoring feeding market and Group credit committees. Controlled introduction of credit changes using a 'test and learn' approach. A comprehensive control framework covering internal and external fraud risks and anti-money laundering. Specific roles for monitoring and reporting of frontline controls and audit of the control framework. Specific controls to cover anti-bribery.	At the start of the pandemic in March 2020, we took the decision to tighten credit rules significantly to protect liquidity. This prudent approach resulted in a reduction in credit issued but provided a solid foundation on which to rebuild the business in 2021. Credit issued and collections in 2021 were better than anticipated. In most cases, credit losses were lower than pre-pandemic levels, and impairment as a percentage of revenue at the year end of 10.2% is well within our risk appetite. Our credit-control action plan executed in Mexico since 2019 has proven successful and the business is now performing well. During 2021, we performed various scenarios and analysis in the home credit markets in order to respond to operational disruptions caused by the pandemic. IPF Digital performed in line with expectations, delivering improved credit quality.

Climate change

Our work undertaken to identify material opportunities and risks relating to the global climate challenge concluded with the Board classifying climate change as a principal risk to the Group at the end of 2021. Further details can be found on page 53. External reporting of this principal risk will be incorporated in the 2022 Annual Report and Financial Statements.

Risk environment

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

Risk appetite

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

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 historical resilience of the IPF business model over a decades-long period including times of adverse macroeconomic 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 21 to 23. 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 52 to 58, 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 by 2023 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

23 February 2022

Chair's introduction

"Having an effective corporate governance framework supports our culture and the delivery of our strategy"

Stuart Sinclair
Chair

I am pleased to present the Corporate Governance Report for the year ended 31 December 2021, a year in which we have continued to successfully navigate a variety of external challenges, driven predominantly by the ongoing Covid-19 pandemic.

Good governance is at the heart of everything we do. As a Board we remain committed to the highest standards of corporate governance in delivering long-term, sustainable value to our stakeholders and have worked closely with our management team to provide oversight, challenge and debate to drive positive outcomes.

During the first half of the year, the Board continued to meet virtually but as Covid-imposed restrictions eased, hybrid and face to face meetings resumed in line with the appropriate government guidelines. While we have all become adept at using video conferencing in our day-to-day work, we all felt the great benefits of engaging with colleagues across the Group face-to-face. I am pleased to report that when international lockdown restrictions permitted and in accordance with relevant Covid-19 measures, I was able to resume market visits and visited colleagues in Poland and Hungary. This included accompanying customer representatives on home visits and sitting with colleagues in our call centres, enabling me to increase my knowledge and understanding of the business and its culture first hand.

Board changes

After many years of serving the business as non-executive directors, Richard Moat and Cathryn Riley both retired in April following the AGM. I am grateful to them for their support and advice during their tenure and in the year we worked together following my appointment as Chair. At the end of July, Justin Lockwood stepped down as CFO. Justin made an outstanding contribution during his 11 years with the business and on behalf of all the directors and management team I thank him for his service and wish him every success in the future. Justin will be succeeded as CFO by Gary Thompson following his appointment to the Board in April 2022. The process the Board followed to secure Gary's appointment is described in the Nomination Committee Report on page 79.

Board composition

The composition and size of the Board is reviewed regularly and the skills and experience directors bring are summarised on page 64. Our Board is well-balanced and diverse, with a good mix of international skills, experience, business 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. The Board currently comprises four males and two females and three with a birthplace outside the UK. For a Company such as ours, with a diverse workforce and a wide geographic spread, this diversity is important to ensure the provision of appropriate support and challenge.

Diversity and succession planning

The Board and Nomination Committee have continued to deepen understanding of executive talent requirements and the capabilities needed to ensure effectiveness in driving the business forward. There is an annual session dedicated to succession planning as well as a mid-year review to ensure robust succession plans and talent development pipelines are in place.

The Board and the Nomination Committee were satisfied that the Company has effective and up-to-date succession planning processes, including appropriate development plans for individuals, and understands areas where external candidates may need to be considered. We have made good progress and are committed to continuing to develop our talent at all levels to create our leaders of the future

Stakeholder engagement

The Board values the insight gained from stakeholder engagement and places significant importance on maintaining close relationships with all of our stakeholders, taking account of and responding to their views.

The Board actively seeks opportunities outside the Boardroom to understand what is happening across the organisation and this engagement provides deeper insights into particular areas as well as supporting the senior leadership team. We keep under review our engagement with key stakeholders to ensure we have appropriate mechanisms in place to understand their views and take them into account in our discussions and decision making. The directors' duties under s172 of the Companies Act 2006 underpin the good governance at the centre of our decision making. Further information regarding our s172(1) statement is on page 37. We have a diverse and global community of stakeholders which includes colleagues, customers, shareholders and supplier partners as well as the communities in which we operate. The Board receives regular updates throughout the year on the extensive engagement undertaken with stakeholders. It also undertakes ad-hoc engagement activities, for example, in October the Board held a 'skip-a-level' dinner with managers without senior executives present in order that we could listen to the views of colleagues first hand.

These insights help shape our strategy and the decisions we take. On pages 38 to 45 we describe how the Board engages with each of our key stakeholders and gives some examples of how we have considered them in decisions made during the year. It is not practicable to please all stakeholders all of the time and a key part of the Board process is to balance the sometimes conflicting needs of our stakeholders to ensure all are treated consistently and fairly.

Purpose, culture and values

Our purpose is to build a better world through financial inclusion and our culture of doing what is right for our customers, colleagues and communities is integral to this. An extensive engagement exercise was undertaken in 2021 in which we proactively engaged with representatives of our key stakeholders to better understand and assess what IPF means to them. The Board was encouraged to note that the important role we play in society, the trusted personal customer relationships fostered by our customer representatives, our high ethical standards and the opportunities we create for financial inclusion were all highly valued. The outcome of this exercise was the creation of aspirational statements for each of our stakeholder groups which will help to guide future monitoring of our purpose and culture by the Board. In relation to colleague engagement, the Board was encouraged by the overwhelmingly positive responses received to the Group's Global People Survey which had the highest response rate ever received. The results showed that colleagues feel that we have a shared and meaningful purpose, centred around our customers. For further information on how we ensure that our purpose, values, culture and strategy are aligned and embedded throughout the Group, see pages 12 to 13, 21 and 68.

ESG

ESG matters have risen in prominence for all Boards as institutional investors and other stakeholders make the link between ESG performance and long-term sustainability of businesses. The Board recognises the importance of responding to the key ESG issues such as climate change, inequality and poverty, and creating a truly sustainable business. We pride ourselves on being a lender that is responsible, ethical and trusted. Our social purpose is strong and the wider role the business plays in society to help our customers access credit for everyday necessities in a supportive and fair way is integral to our strategy. The Board approved the development of the Group's ESG strategy including the approach to meet the TCFD recommendations. To enhance its wider understanding of ESG, the Board also invited a leading fund manager to attend a Board meeting to provide further insight.

The Board is conscious of the impact of climate-related change on the Group's business and how the Group's activities affect the environment. It reviewed and approved the assessment of climate-related risks as a principal risk and reviewed the Group's phased approach to responding to the challenges and opportunities faced. The Board approved the Group's climate-related strategy and details of our climate-related disclosures under LR 9.8.6(8) in relation to the TCFD recommendations are on pages 48 to 50.

Board evaluation and effectiveness

It is an important requirement of good governance that an annual evaluation is carried out to ensure that the Board continues to operate and perform effectively. The Corporate Governance Code requires that the evaluation is facilitated externally at least every three years. The Board and Committee review in 2021 was facilitated internally as was the case in 2020, following an externally facilitated evaluation in 2019. The outcome of the evaluation was positive and noted that good progress had been made in implementing the outcomes from the 2020 evaluation in relation to a refocus on strategic discussions and the continued focus on succession planning. Further details on the 2021 Board evaluation are set out on page 72.

Board training

The Board recognises the importance of ongoing training. As well as a formal annual Board training session, directors are given the opportunity to update their skills and experience on a regular basis. The non-executive directors are conscious of the need to keep themselves properly briefed and informed about current issues and to deepen their understanding of the business. Any individual development needs are discussed with the directors on an ad-hoc basis and at the annual performance evaluation. Board training received during the year included:

- an overview of the Group's value-added services, including insurances, with a focus on financial performance, regulatory compliance and customer outcomes;
- management of credit risk; and
- management of foreign exchange risks.

(See page 86 for further details of Board and Committee training received during the year.)

Our Board and Committees

Stuart Sinclair N R
Chair

Length of service: 2 years

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

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

International expertise: EMEAs, Americas, Asia Pacific

Gerard Ryan D E N
Executive director and Chief Executive Officer

Length of service: 10 years and 1 month

Responsibilities: Group strategy, operational management and leadership of the Executive Committee and senior leadership team and Chair of the Disclosure Committee. Ensuring good relations with employees, customer representatives, customers, regulators and investors.

Key skills: Inspirational leadership and effective, objective implementation of strategy; over 30 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 in Ireland.

International expertise: EMEAs, Americas

Deborah Davis A N R
Independent non-executive director

Length of service: 3 years and 4 months

Responsibilities: Chair of the Remuneration Committee.

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 Which? and 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.

International expertise: EMEAs, Americas, Asia Pacific

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

John Mangelaars N T

Independent non-executive director

Length of service: 6 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).

International expertise: EMEAs, Americas, Asia Pacific

Richard Holmes A N R

Senior independent non-executive director

Length of service: 2 years

Responsibilities: Chair of the Audit and Risk Committee and SID.

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, non-executive director of Itau BBA International PLC 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.

International expertise: EMEAs, Americas

Bronwyn Syiek A W T

Independent non-executive director

Length of service: 3 years and 4 months

Responsibilities: Workforce and Stakeholder Engagement Director.

Key skills: President of leading Silicon Valley fintech with 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. Developed a stakeholder outreach plan as the foundation of Board stakeholder engagement.

Current directorships: President of Credit Sesame Inc. Emeritus Trustee of SETI Institute, a member of the Finance Committee at Oxford University Press and Trustee of ABRSM, the music examination Board.

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.

International expertise: EMEAs, Americas

Governance at a glance

2021 highlights

- **Continued strong performance in the Group's Covid-19 response strategy, rebuilding sales and portfolio.**
- **The Care Plan continued to make a material difference to the wellbeing of colleagues.**
- **Good progress made on the Group's purpose journey with strong foundations to ensure that purpose becomes fully embedded in the Group's culture.**
- **Resumption of dividend payments reflecting the Company's strong performance, balance sheet strength and growth outlook.**
- **Significant progress made on the Group's digital transformation journey.**

Key priorities for 2022

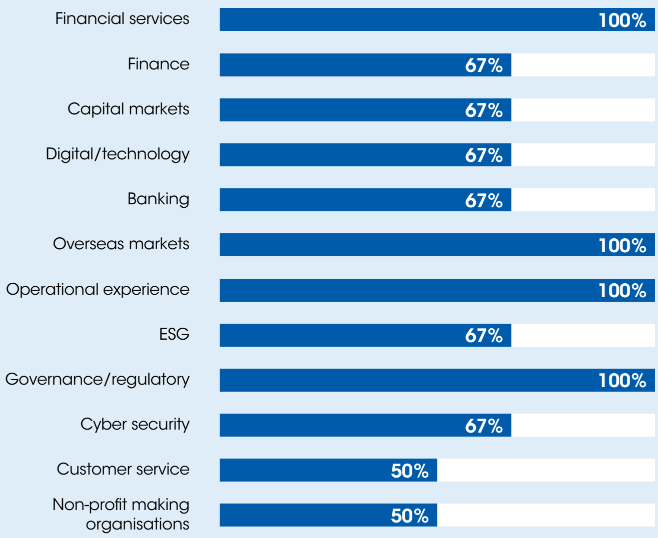
To enhance our distribution channels and product propositions for the next generation of customers.

To address any potential regulatory changes and make sound economic decisions regarding capital allocation.

To increase awareness of the essential role and positive impact the business has on society as a key strand of developing our purpose-led ESG strategy including climate-related change actions.

To invest smartly in technology to support the innovation, improve customer journeys and make the business more efficient.

Board skills



International expertise

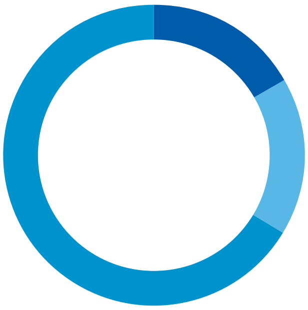
Board attendance 2021

There were seven scheduled Board meetings, as well as a mid-year and annual strategy review.

Director	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Stuart Sinclair	7	7	100%
Gerard Ryan	7	7	100%
Justin Lockwood[2]	4	4	100%
Deborah Davis	7	7	100%
Richard Holmes	7	7	100%
John Mangelaars	7	7	100%
Richard Moat[3]	3	3	100%
Cathryn Riley[4]	3	3	100%
Bronwyn Syiek	7	7	100%

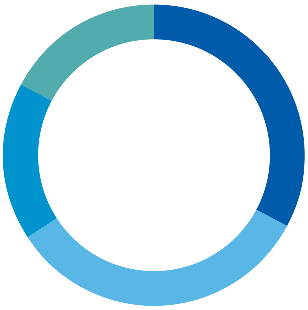
1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Justin Lockwood stepped down as a director of the Board in July 2021.
3. Richard Moat stepped down as a director of the Board at the 2021 AGM.
4. Cathryn Riley stepped down as a director of the Board at the 2021 AGM.

Board composition



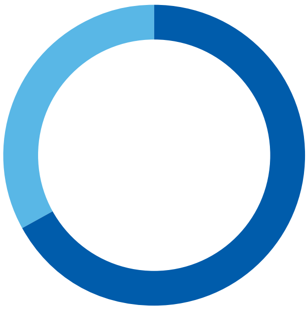
Chair	17%
Executive directors	17%
Non-executive directors	67%

Board tenure



Under 3 years	33%
3-6 years	33%
6-9 years	17%
Over 9 years	17%

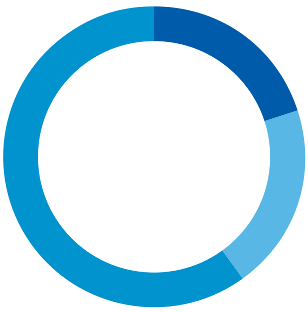
Board diversity



Male	67%
Female	33%

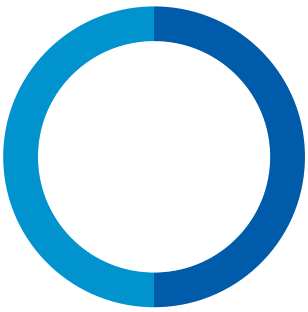
Committee compositions

Nomination Committee



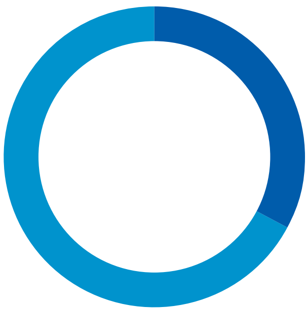
Chair	20%
Executive directors	20%
Non-executive directors	60%

Technology Committee



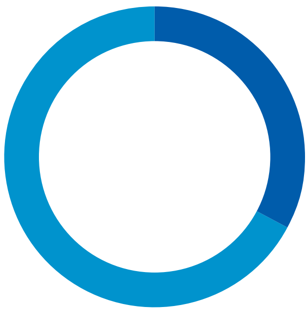
Chair	50%
Executive directors	0%
Non-executive directors	50%

Audit and Risk Committee



Chair	33%
Executive directors	0%
Non-executive directors	67%

Remuneration Committee



Chair	33%
Executive directors	0%
Non-executive directors	67%

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 CEO is responsible for preparing and recommending the strategy and for the day-to-day management of the Group. The Group's senior leadership team implements the Group's strategy and provides the CEO 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 37 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 the internal control system and review principal and emerging risks and opportunities

Appoint and evaluate the external auditor and its independence

Review and monitor effectiveness of the 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 Chair, the Company Secretary and the senior leadership team

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 and opportunities

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:

2021 progress	Key priorities for 2022
Strategy – Continued to monitor the operational and financial performance of the Group's businesses by reviewing and scrutinising trading performance against budget. – Oversaw implementation of the Group's rebuild strategy through careful easing of credit settings to return the business to full-year profitability and long-term growth in response to increasing demand for credit as freedom of movement restrictions were eased.	– Monitor the operational and financial performance of the Group's businesses, including the strength of the balance sheet. – Support receivables portfolio growth by realising new opportunities and further synergies to increase scale and efficiencies in the European home credit business. – Support the delivery of well-controlled sustainable growth with investment in new technologies and territory expansion in Mexico home credit. – Support the development of product innovation. – Support the identification and pursuit of new growth opportunities including partnerships and value-added services.
Colleagues – Continued to support the Global Care Plan and monitored the operation of safe systems of work across the Group to continue to protect colleagues, customers and the wider community.	– Continue to oversee the Group's ongoing management of the impact of the Covid-19 pandemic, including protection and support for colleagues across the business with regard to safety, mental health and wellbeing.
Purpose – Approved the approach to the Group's purpose refresh including engagement with stakeholders to ensure that purpose becomes fully embedded in the Group's culture and ways of working. – Recognised the increasing prominence of ESG issues and approved the Group's ESG and climate-related strategies.	– To support the drive to become a more purpose-led business ensuring alignment with the Group's business model, values, culture and strategy. – Oversee the development of the Group's ESG strategy including monitoring and reviewing ESG risks and opportunities, and increase awareness of the social importance of the business and the wider role it plays in society.
Digitisation – Supported the digital transformation programme with the focus on integrating digital technology to enhance the way we interact with customers.	– Continue to support the enablement of new technologies and innovation to enhance the product proposition and improve the customer experience.
Risk management – Continued to monitor the risks facing the Group and, following a review of the impact of climate-related change, approved the addition of climate-related risk as a principal risk.	– 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.
Stakeholder engagement – Despite the continued restrictions caused by Covid-19, a wide range of stakeholder engagement activities were undertaken to ensure appropriate consideration in Board decision making.	– Continue to engage effectively with all stakeholders and apply their feedback in the Board's decision making including in relation to ESG matters.
Succession planning – Oversaw the refresh of the senior leaders Aspire development programme with the introduction of the IPF Global Leaders' Connect Programme which will contribute to the personal development of the Group's key talent.	– Continue to support the Group's people strategy in the furtherance of leadership, development and succession planning including through the annual People and Organisational Planning process and capability assessments.
Funding strategy – Approved the successful issuance of new three-year SEK 450 million bond thereby extending the maturity profile of the Company's sources of debt funding. – Approved the reinstatement of dividend payments for 2021.	– Continue to monitor the Group's funding position and the development of longer-term funding strategies.

Board overview of purpose

Company purpose

The Board has overall responsibility for the Company's purpose, values and strategy to deliver long-term sustainable success and generate value for all stakeholders including shareholders. It places great importance on ensuring that these continue to be appropriate for the business and markets in which we operate, while being aligned with our culture.

Having a clear purpose guides colleagues in their daily decision making and provides a common goal. By delivering on our purpose, we serve and create value for our stakeholders. This supports a strong culture which drives performance across the business both in terms of financial and non-financial value. The Board sets the strategy for the Group and throughout the year it receives regular updates to ensure it is delivered in line with our purpose.

Bringing our purpose to life

Our purpose – 'to build a better world through financial inclusion' – explains why we exist and reminds us of who we serve and why. As a business we have always had a great sense of purpose, providing credit to the underbanked and underserved in a way that is responsible and sustainable. We help consumers who have lower incomes and often a limited credit history access the financial system. We are a responsible lender, well positioned to provide an entry point to mainstream consumer finance, serving customers with regulated credit products.

Over the course of 2021, the Board provided support and guidance on initiatives undertaken to strengthen the sense of ownership of the Company's purpose. The Board considers that the purpose statement encapsulates how we have always strived to make a positive difference to all of our stakeholders. Throughout the year, the Board oversaw the internal and external engagement process undertaken to enhance understanding of stakeholders' views on the Group's purpose. It also oversaw the plan to ensure that colleagues and other stakeholders were engaged so that purpose becomes fully embedded in our culture. The Board recognised that it was important that colleagues not only understand our purpose but consider it as a guide in their everyday interactions, behaviour and actions and that it is embedded in business-as-usual activities and the operating rhythm of the business. This included the creation of a set of aspirational stakeholder purpose statements, validated with the stakeholders themselves, to act as a guide in reviewing our business and how we measure ourselves and which will help to provide guidance in future monitoring of purpose and culture.

The Board recognises that this is a long-term and evolving journey and it has been consulted on each stage, reviewing and contributing to the plan and associated activities.

Culture and values

The Board recognises that it is accountable to stakeholders for ensuring that the Group is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours. Our values – Responsible, Respectful, Straightforward – are recognised across the Group and support our culture. They ensure that all colleagues understand what is important, how we work together as a team and how customers are at the centre of what we do. Leadership behaviours further guide our conduct and decision making so that we do the right thing for the business and our stakeholders.

The Board understands that the cultural tone of our business comes from the top. The benefits of a strong culture are seen in the success of delivering the strategy and in the engagement, retention and productivity of our employees and customer representatives. The Board monitors and assesses the Group's culture along with its purpose and values through receiving regular updates from members of the senior leadership team. The Board also assesses cultural indicators such as management's attitude to risk, behaviours and compliance within the Group's policies and procedures as well as reviewing the results of employee surveys.

In addition, the Board routinely interacts with colleagues as part of the stakeholder engagement programme as well as other ad hoc interactions. Further details can be found on pages 41 to 42. Direct interactions with colleagues allows the Board to understand first hand the key issues identified by the workforce and provides an opportunity to feed back specific insights to them.

As part of this activity the Board is able to satisfy itself that the Group's policies, practices and behaviour throughout the business are wholly aligned with the Company's purpose and strategy.

Board activities during 2021

The Board has ultimate responsibility for the overall leadership of the Group. It oversees the development and delivery of a clear Group strategy ensuring the long-term sustainable success of the Company for all stakeholders. It monitors operational and financial performance against agreed goals and objectives, and challenges the executive team. The Board ensures that appropriate controls and systems exist to manage risk and that there are the financial resources and people with the required skills to achieve the strategic goals the Board has set. The information in this section 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 37.

With support from the Company Secretary and the CEO, the Chair sets the annual Board programme and Board meeting agendas, and determines the number of meetings to be held during the year. He ensures that enough time is devoted, during meetings and throughout the year, to discuss all material matters, including strategic, financial, operational, business, risk and human resource. Board agendas are structured to ensure a balance is maintained between reporting, approvals and governance matters, while also ensuring a significant proportion of each meeting is devoted to strategic topics. At each scheduled Board meeting the CEO and CFO (or the CFO's representative) present separate reports, detailing business performance and progress against strategy. These are supplemented by regular performance updates from each of the divisional heads of the Group. Presentations from members of the senior leadership team and more informal opportunities to meet a wider range of employees are also incorporated as well as free agenda discussion time to enable the Board to exchange views and debate elements of the Company's performance, specific projects or areas of strategic importance.

In 2021, the majority of Board meetings were held either remotely or as hybrid meetings with some or all directors joining by video call. The Board continued to adapt well to this dynamic and its decision making was not affected. In-person meetings resumed where appropriate and in line with government guidance. The Board looks forward to the benefits of more face-to-face engagement with the senior leadership team and colleagues, when it is safe and appropriate to do so.

Strategy remained a key focus throughout the year. In addition to Board meetings, the Board participated in an annual and mid-year strategy review. Topics of discussion included: rebuilding the business and laying the foundations for future growth, progress of strategy execution, level of growth, leadership capabilities, and purpose and ESG – including climate-related change.

Most of the of the Board's focus was to support the Group's rebuild strategy to return the business to full-year profitability and long-term sustainable growth.

An overview of the range of matters that the Board discussed and debated, and the stakeholders considered, at its meetings during the year can be found in this section.

Strategy and management

- Agreed the Board's objectives for 2021. Reviewed operational and financial performance with the CEO and CFO (or the CFO's representative) presenting their own reports to enable oversight of business performance against targets, budget and strategy.
- Reviewed how the business continued to support employees and customer representatives in safe ways of working within the Covid-19 landscape, including mental health and wellbeing as well as the continued safety of customers.
- Considered and approved the Group's climate-related strategy in line with the TCFD recommendations.
- Received regular updates on continuing government measures imposed in response to the ongoing pandemic including the status of temporary legislation, freedom of movement restrictions and social distancing rules.
- Oversight of the collect-out of the IPF Digital operation in Finland.
- Discussed and reviewed development of the Group's IT strategy.
- Reviewed the Group's strategy at the annual and mid-year review meetings.
- Invited a leading fund manager to undertake a learning exercise with the Board on key ESG matters.
- Supported the launch of a strategic partnership initiative with the long-term aim of strengthening our market position, including the launch of pilot schemes in Romania and Mexico.
- Approved the decision to cease new lending in the IPF Digital business in Spain.

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 72.
- Training received included insurance KPIs, credit-flexing sensitivities and foreign exchange risks and mitigations.
- Reviewed and considered conflicts of interest.

Our stakeholders

- Customers
- Employees and customer representatives
- Regulators and legislators
- Suppliers
- Communities
- Investors and shareholders

Directors' Report continued

Financial reporting

- Approved the 2020 Annual Report and Financial Statements and the long-term viability and going concern statements.
- Reviewed and approved half- and full-year results announcements and presentations to investors and analysts.
- Reviewed cash flow, dividend cover and shareholder returns particularly in the context of rebuilding the business following the impact of Covid-19, and agreed the reinstatement of dividends for 2021.
- Monitored the Group's funding position and compliance with the Group's financial covenants.
- Approved the issuance of SEK 450 million bond at 7% coupon, maturing in October 2024.
- Approved the 2022 Group budget and business plan, reviewing key assumptions, inputs and risks, and monitored performance and variances against the 2021 plan.

Risk management and internal controls

- Reviewed and approved risk appetite proposals and the Group Schedule of Key Risks in the context of the continued impact of Covid-19.
- Reviewed and approved the assessment of climate-related risks as a principal risk and reviewed the Group's phased approach to responding to the challenges and opportunities faced.
- Received regular 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 the internal audit programme for the year.

Governance

- Approved the appointment of the new CFO.
- Approved the resolutions to be put to the 2021 AGM.
- Approved the proposal to withdraw shares traded on the Warsaw Stock Exchange.
- Proactively sought and considered feedback from investors and proxy advisors on the Company's 2021 AGM resolutions.
- Agreed that, in view of ongoing Covid-19 restrictions and to ensure that the meetings could be undertaken safely, the 2021 AGM and GM should be closed meetings with the opportunity for shareholders to submit questions in advance.
- Reviewed and approved the Board Diversity Policy.
- Reviewed and approved the Group's tax strategy.

Stakeholder engagement

- Reviewed updates presented by the Stakeholder and Workforce Engagement Director on engagement activities undertaken.
- Received updates on the general wellbeing and health and safety of colleagues and customer representatives in light of the continued impact of Covid-19.
- Considered the results of the Global People Survey to assess the sentiment and engagement of colleagues and customer representatives across the business.
- Received updates on investor sentiment in response to financial results, and feedback from bondholders and potential bondholders garnered in connection with the issuance of the SEK bond.
- 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 alignment with the Group's business priorities.
- As part of the purpose refresh, the Board was made aware of an increased focus on community and supported a number of community-based initiatives, including The Invisibles. Further details can be found on page 43.

Our stakeholders

- Customers
- Employees and customer representatives
- Regulators and legislators
- Suppliers
- Communities
- Investors and shareholders

The Board and ESG

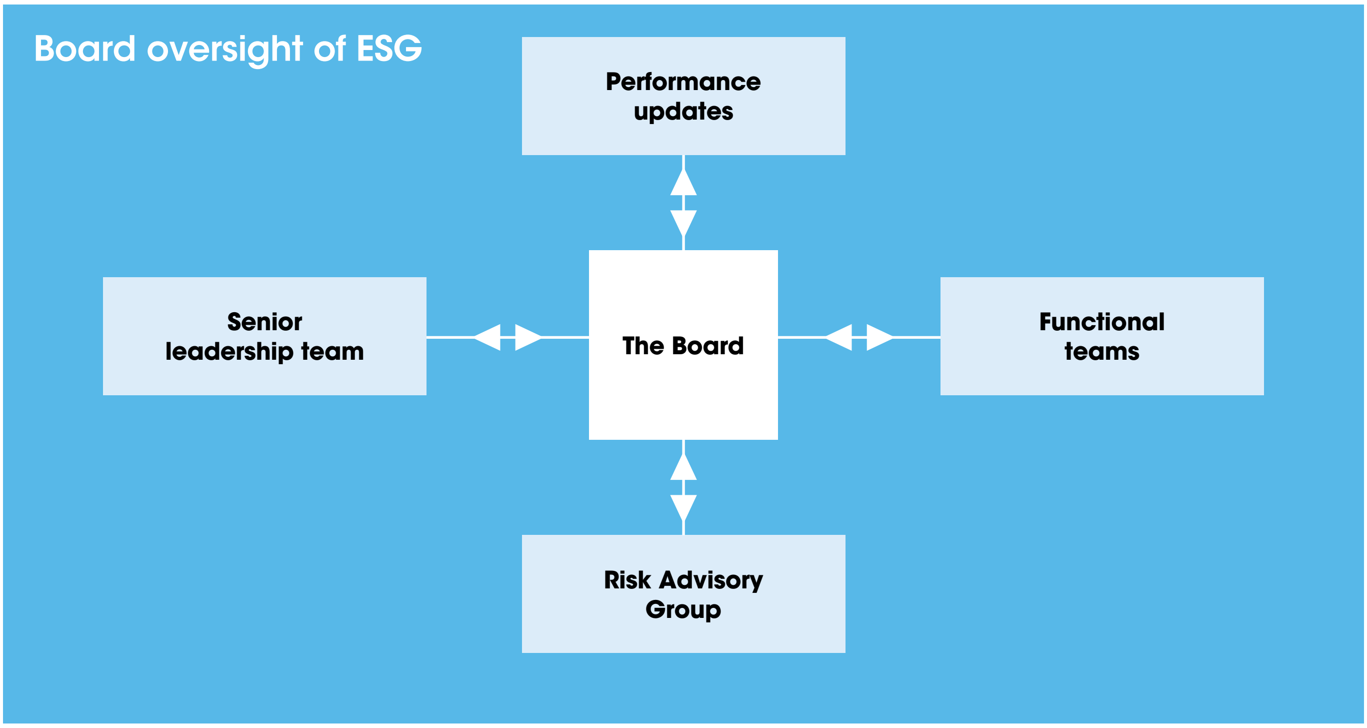
The Board recognises the importance of ESG matters and their significance in the execution of the Group's strategy. As a business with a strong social purpose and long history of creating financial inclusion opportunities, we have strengthened our ESG strategy to ensure we deliver on our purpose in a responsible and transparent way and underline our commitment to respond to climate-related change. The Board recognises that its role in relation to ESG is to ensure governance and oversight with the senior leadership team responsible for managing the ESG-related risks and opportunities on a day-to-day basis. ESG issues are discussed regularly, including during Board strategy decisions, business operational reviews and in the context of stakeholder engagement. In addition, stakeholder attitudes, including those of investors, and the direction and momentum of their expectations are considered in relation to ESG. The Board has further oversight on ESG matters and related risks and opportunities for the Group through the risk management process. A review of climate-related risks and opportunities relevant to IPF resulted in the Board including climate-related change as a principal risk to the Group.

Board members bring experience from a range of sectors and perspectives, including finance, technology, banking, customer service and non-profit making. This equips them to consider the potential implications of ESG on operational capacity, as well as understanding the nature of the debate as it develops. In addition, there is a deep understanding of the risks and opportunities for the Group. The Board seeks the input of the senior leadership team, including the Group Corporate Affairs Director, who keeps the Board regularly informed on ESG matters. Discussion points in the year included the increasing importance of ESG, our ESG opportunity including strengthening the awareness of the Group's essential role in society, and reviewing and approving our climate-related strategy and roadmap to support the disclosures recommended under the TCFD. For further information on our work around ESG, including TCFD, please see pages 46 to 50.

The Board recognises that its education in ESG matters, including climate change, and the implications for the Group is ongoing and developing. To enhance the Board's understanding, a leading fund manager was invited to attend a Board meeting to enable a deep dive and provide further insight into the expectations of investors and their ESG investment research frameworks.

Looking ahead, the Group's ESG strategy will be further developed and progressed. The Board will assess and review the use of the most appropriate and relevant targets for IPF, ensuring that the approach is proportionate and aligned with strategy. The review of the Company's Remuneration Policy in 2022 ahead of the shareholder vote in 2023 will pay particular attention to the developing ESG landscape and consider the inclusion of appropriate ESG metrics relevant to the Group's stakeholders.

Our purpose 'to build a better world through financial inclusion' encompasses all aspects of ESG and drives our actions to ensure that our business is responsibly run and sustainable. Consideration of ESG issues is fundamental to the way in which we operate as a purpose-led and responsible business. The Board's approach is reflected in the Group's corporate culture and values of being responsible, respectful and straightforward as highlighted throughout the Strategic Report.



Board and committee evaluation

The Board is in the final year of the three-year evaluation cycle recommended by the 2018 UK Corporate Governance Code. An internal evaluation was carried out in 2021 and 2020 and the 2022 evaluation is expected to be externally facilitated. The 2021 review sought directors' views on a range of topics including: strategy; planning and performance; risk and control; Board composition and size; balance of skills, experience and knowledge; diversity; culture; meeting agendas; the quality and timeliness of information; and support for directors and committees. The topics were selected by the Chair and the Company Secretary as being the most pertinent when considering the Board's effectiveness, and also referenced previous years' topics to track trends and improvements. The Senior Independent non-executive director also led a separate evaluation of the Chair with the directors to appraise the Chair's performance. There continues to be positive support for the Chair. He is seen as being supportive but challenging and manages meetings with professionalism, ensuring each director has the opportunity to express their view. It was concluded that his performance and contribution remain strong and that he demonstrates effective leadership.

The findings of the evaluation were presented to the Board in January 2022, and the Board discussed the points raised by the review and recommendations on follow-up actions were discussed. Overall the evaluation found that the Board and its committees continue to operate at a high standard. The Board is regarded as being cohesive with an open, inclusive and supportive culture and strong governance relating to risks and controls and managing regulatory requirements. The composition of the Board was considered to be effective and it continued to provide successful leadership to the Group, and comprises the appropriate balance of experience, skills, knowledge and diversity of background to implement the Group's strategy. The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them and receives oral updates from the chairs of each of the committees at the Board.

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

The 2021 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 2022. The main conclusions and key areas for focus highlighted by the 2021 evaluation are detailed below:

Actions from 2020	Key findings from 2021	Actions for 2022
Board composition and succession planning Continue to keep under review Board composition and succession planning in light of the Group's post Covid-19 strategy and the smaller scale of the business.	The appointment of the new CFO was a positive addition to the Group and will assist in building succession strategy in other key roles across the Group.	The successful onboarding of the new CFO and continue to review and develop succession plans for key roles in the Group and across the business, including continued interactions with the senior leadership team to assess 'bench strength'.
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 discussions of a more strategic nature.	Strategy was discussed regularly at Board meetings and consideration was given to introducing further deep dives into strategy related matters to enhance focus, in addition to the twice- yearly strategy reviews. To consider the most effective ways to increase understanding of the Group's ESG role in society.	To resume Board strategy dinners, when circumstances allow, to facilitate deep dives into particular strategic matters. To increase awareness of the social purpose of the business and the wider role it plays in society.
Stakeholder engagement Further develop our engagement with stakeholders ensuring a 'closed loop' approach whereby feedback gathered is actively applied in Board decision-making.	Detailed updates on stakeholder engagement activities presented by the Workforce and Stakeholder Engagement Director were valued by the Board and provided a good insight into activities undertaken.	To continue to develop the effectiveness of the Group's stakeholder engagement strategy to ensure clearer alignment with discussions and decisions made by the Board and its committees.
Training Continue to monitor the training needs of the Board and individual directors and continue to provide opportunities to non-executive directors for learning and engagement activities in relation to material aspects of the Group's business.	The Board received formal training on insurance KPIs, the management of credit risks and the management of foreign exchange risks. In addition, the Audit and Risk Committee received other specific training (see page 86).	Continue to monitor the training needs of the Board and to provide opportunities for non-executive directors to gain first-hand insights into the 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 2021. The Code is available on the FRC's website: www.frc.org.uk. 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 36 to 45 and 72.

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 12 to 13, 61 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 35.

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 36 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, 70 and 78.

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 72.

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 74.

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 74.

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 72 and 75.

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 80 to 81.

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 62 to 65 and 72.

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 72.

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 85 to 87.

The board should present a fair, balanced and understandable assessment of the company's position and prospects. See page 87.

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 52 to 58 and 87.

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 93 to 95.

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 94 to 95 and 104.

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. See pages 92 and 94 to 95.

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 35).

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 fifteen.

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 Chair and CEO are clearly defined and the division of responsibilities is established and set out in writing.

The Chair 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 Chair was independent on his appointment.

The CEO is responsible for executing the strategy effectively, and managing the Group's businesses.

Commitment

The Chair 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.

As part of our annual review of responsibilities, we considered the time non-executive directors are required to give to their roles. We were satisfied that each director continues to contribute the time as well as the focus, care and quality of attention, to fulfilling their duties to the Company and its shareholders. Based upon the evaluation of the Board, its committees and the continued effective performance of individual directors, the Nomination Committee recommended to the Board that all directors stand for re-election at the Company's 2022 AGM. It is also recommended that Gary Thompson stands for election in accordance with the Company's Articles of Association.

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 director currently does 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 November 2021, Bronwyn Syiek took on the role of President of Credit Sesame Inc. 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 Chair and the other non-executive directors have 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 Chair was considered to be independent on appointment. Richard Holmes was appointed as the Senior Independent Director at the conclusion of the 2021 AGM. He will be available to shareholders should they have concerns which contact through the normal channels of Chair and CEO has failed to address or for which such contact is inappropriate. The Senior Independent Director will review the performance of the Chair on an annual basis and will consult with other Board members as part of the review. He will also consider the relationship between the Chair and the CEO.

Development

Our policy is to provide appropriate training to directors. Training takes into account each individual's qualifications and experience and includes ESG 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 2021 included presentations to the Board on an overview of the value-added services offered across the Group, including insurances – with a focus on financial performance, regulatory understanding and customer outcomes; and management of credit and foreign exchange risks. Although continued Covid-19 restrictions meant that the Board was unable to undertake its usual annual market visit, directors participated in a number of direct engagement activities with the markets using video conferencing facilities. As some people movement restrictions started to ease, face-to-face engagement activities with the business resumed in line with local guidelines and the Chair was able to visit colleagues in Poland and Hungary.

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 2021, 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 2022 Board meeting. Details of the principal outcomes relating to the Board evaluation can be found on page 72.

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 will seek re-election,or election at our AGM on 28 April 2022. Details of the directors can be found on pages 62 to 63.

Shares in issue

As at 31 December 2021, the issued share capital was 234,244,437 ordinary shares of 10 pence each, of which 12,143,507 were held in treasury. 12,143,507 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, up until 22 February 2022, the 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.

Interest in voting rights

As at 31 December 2021, 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	12/03/2021	14.10
Standard Life Aberdeen plc	14/08/2020	12.00
Marathon Asset Management LLP	23/08/2021	8.41
Pendal Group Limited	26/07/2021	5.47
FMR LLC	10/01/2018	5.28
Artemis Investment Management LLP	12/10/2021	5.04
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

On 27 January 2022, the following shareholder notified an interest in our issued share capital in accordance with the DTR:

Name	Date notified	% of issued share capital[1]
Pendal Group Limited	27/01/2022	6.20

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.

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 the Board may exclude non-working days in its calculation. The Company is not permitted to exercise any right in respect of treasury shares, including any right to attend or vote at meetings.

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 2021 AGM, we received shareholder authority to buy back up to 22,373,988 of the Company's shares until the earlier of the conclusion of the 2022 AGM or 30 June 2022. Shares purchased can be cancelled or held in treasury. This authority was not exercised in 2021. A further authority to purchase our own shares will be sought at the 2022 AGM. On 19 August 2021, the Company announced its intention to withdraw its ordinary shares of 10 pence each from trading on the main market operated by the Warsaw Stock Exchange (WSE). This was achieved by the completion of a tender offer to purchase IPF's ordinary shares traded on the WSE which was approved by shareholders in a General Meeting of the Company on 16 September 2021. The share buyback was completed in October 2021 with a total of 1,673,203 ordinary shares purchased at the offer price of 154.3 pence per share which were transferred to the Company's treasury shares account. This represented 0.7% of the Company's issued share capital (at the date of the buyback) and the aggregate amount paid for the shares was £2,581,752.23. An application to withdraw the Company's ordinary shares from trading on the WSE was submitted to the Polish Financial Supervision Authority, the Komisja Nadzoru Finansowego (KNF) at the end of October 2021 and the process was completed in February 2022, with the delisting effective from 22 February 2022.

Authority to issue shares

At the 2021 AGM, an ordinary resolution was passed authorising the directors to issue new shares up to an aggregate nominal amount of £7,457,996, 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 £7,457,996, 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 2022 AGM. Further details can be found in the separate notice of meeting.

Directors

Details of the current directors can be found on pages 62 to 63. Richard Moat and Cathryn Riley who were non-executive directors, did not seek re-election at the 2021 AGM and stepped down from the Board. Executive director and CFO, Justin Lockwood, left the business at the end of July. Gary Thompson will join the Board as CFO in April 2022.

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 2021 or at any time up to 23 February 2022. 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 2021 and up to 23 February 2022.

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 three-year term and a coupon of three-month STIBOR plus a margin of 7.00%.

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 23 to the Financial Statements. The information in note 23 is incorporated by reference into, and forms part of, this Directors' Report.

Dividends

A final dividend of 5.8 pence per share has been proposed bringing the full year dividend to 8.0 pence per share. The final dividend will be payable on 6 May 2022 to shareholders on the register of members on 8 April 2022. The deadline to elect for the Dividend Reinvestment Plan (DRIP) is 13 April 2022.

Employees

Employee engagement and communication

IPF prioritised employee communications and engagement throughout the Covid-19 pandemic and has invested in technology which allowed us to communicate effectively with all levels of our organisation in all countries. Of particular note is our use of 'My News', a communication app devoted specifically to ensuring that we keep closely connected to our colleagues. During 2021 we conducted our Global People Survey which included all of our customer representatives. We achieved an exceptionally high participation rate of 91% globally and highly positive feedback overall confirming excellent engagement with and commitment to IPF.

Operationally, our individual businesses have successfully adjusted their local engagement activities and communications to support a dynamic work environment due to government imposed restrictions relating to the pandemic. Our strong IPF culture which is based on strong ethics and values provided a resilient and stable anchor during external volatility. Hybrid working is now operational in each of our countries and we have adjusted our communications and engagement protocols and strategies to reap the many benefits to both the organisation and colleagues that these new working patterns offer. Further information on how we engaged with employees and customer representatives 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 2021, the trustees held 320,475 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 2021 are set out in the Directors' Remuneration report on page 100.

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 and tax strategy

Equal opportunities

The Group is an equal opportunities employer. It is our policy that no job applicant, employee or customer representative 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 42 and 65. The Board reviewed and approved the Board Diversity Policy. This and our Modern Slavery Act 2015 statement are 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 in 2021.

Political donations

The Group did not make any political donations nor incur any political expenditure.

Tax strategy

We are a responsible taxpayer, committed to ensuring compliance with tax law and practice in all of the territories in which we operate, whilst recognising our responsibility to protect shareholder value. We seek to maintain honest and open relationships with the relevant tax authorities and operate in a straightforward and transparent manner in our dealings with them. More information on our approach can be found in the Group's Tax Strategy, which has been reviewed and approved by the Board, on our website at www.ipfin.co.uk.

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 – licensed by Czech National Bank

Hungary – operates under the supervision of the National Bank of Hungary and subject to an operating licence issued by the Hungarian National Bank

Poland – registered in the special registry of the Komisja Nadzoru Finansowego (KNF), the Polish Financial Supervision Authority, and also licensed and registered in the register of the Small Payment Institution Licence of the KNF.

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 KNF.

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 CEO. 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 CEO. 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, approved and signed by the CEO. For further details on our risk and internal control processes, see pages 52 to 58.

Nomination Committee Report

Stuart Sinclair
Chair of the Nomination Committee

Committee members

Stuart Sinclair, Chair

Deborah Davis, Independent non-executive director

Richard Holmes, Independent non-executive director

John Mangelaars, 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 2021.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Stuart Sinclair	4	4	100%
Deborah Davis	4	4	100%
Richard Holmes[2]	2	2	100%
John Mangelaars	4	4	100%
Cathryn Riley[3]	2	2	100%
Gerard Ryan	4	4	100%

Notes

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Richard Holmes became a Committee member on 29 April 2021.
3. Cathryn Riley stepped down as a director from the Board at the 2021 AGM.

"The Nomination Committee continues to play a vital role in ensuring that the Board and senior leadership team comprise high calibre individuals to deliver the Group's strategy."

Dear Shareholder,

I am delighted to introduce the Nomination Committee Report for the year. As Chair of the Committee, I am pleased to report on the ongoing objectives and responsibilities of the Committee, the work that has been carried out during 2021 and the plans for 2022 and beyond.

I continue to be impressed by the level of commitment shown by Board members and colleagues in rebuilding the business and in supporting our customers and each other. These qualities, together with our focus on diverse teams and inclusive environments, drive the best outcomes for all of our stakeholders.

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 team that appropriately reflects the Group's operations (including but not restricted to gender, age, nationality, ethnic origin, background, knowledge and experience), the operational geographies, our future strategic plans and the customer base.

Board and committee changes

As set out in my introduction to the Corporate Governance Report on page 60, there have been changes to the Board and its committees during the year. Following the 2021 AGM, Richard Moat stepped down as the Senior Independent Director and Chair of the Audit and Risk Committee, and Cathryn Riley stepped down as a non-executive director and Chair of the Remuneration Committee. I would like to reiterate my thanks to both Richard and Cathryn for their service, insight and contribution during their time at IPF. Richard Holmes was appointed as Senior Independent Director, Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committees, and Deborah Davis was appointed as Chair of the Remuneration Committee. The experience that Richard and Deborah bring to the Board make them ideal candidates to chair these important committees.

Justin Lockwood, our former CFO and executive director, left the business at the end of July. Our search for Justin's successor has concluded and Gary Thompson will be appointed as a director and CFO in April 2022. When considering the recruitment of new directors, the Committee and the Board adopt a formal and transparent procedure which takes into account the skills, knowledge and level of experience required as well as diversity. Gary's appointment follows a thorough and orderly process to appoint a successor as detailed on page 81. During the interim period between Justin leaving and Gary joining the business, Gerard Ryan took on the role as acting CFO in addition to his ongoing responsibilities as CEO, with a range of measures put in place to provide support. Senior members of the finance team have stepped up and participated in Board and committee meetings which, as well as supporting the CEO has increased their level of direct interaction with the Board.

This also enabled the Board's commitment in recognising and nurturing talent within the executive and management levels across the Group to create opportunities to develop our current and future leaders.

Succession planning

The Committee recognises the importance for the Board to anticipate and prepare for the future and to ensure that the skills, experience, knowledge and perspectives of individuals reflect the changing demands of the business. We have a strong talent pipeline, which considers the core competencies and capabilities for potential future leaders, comprising many high-performing individuals. When considering succession plans, the Committee and the Board are cognisant of the need to ensure that a diverse range of individuals are included. We believe that the range of perspectives provided by a diverse and inclusive organisation such as IPF, which are also reflective of the communities we serve, gives us a competitive advantage.

The Committee and the Board continued to deepen their understanding of executive talent requirements and the capabilities needed to ensure effectiveness in driving the business forward. The Committee leads the Board's annual session dedicated to succession planning as well as a mid-year review as part of the Group-wide talent mapping exercise to ensure robust succession plans. During 2021 the Committee and the Board affirmed the appointment of a number of key senior leadership positions including several notable female appointments demonstrating our commitment to developing and nurturing key talent and supporting greater gender balance in the Group. In line with our commitment to develop future leaders, the Board oversaw a refresh of the Aspire programme with the introduction of the Global Leaders Connect programme. This programme is an important means of investment in our key talent to meet the Group's return to growth strategy. In addition, the first ever IPF Women's Conference was held virtually across all our markets in March 2021 to coincide with International Women's Day. This was attended by our female non-executive directors who each led a break-out session, and gave them direct insight into the wealth of female talent across our business

Board appointments and diversity

The Committee reviewed and reapproved the Board Diversity policy during the year, a copy of which is available on our website at www.ipfin.co.uk. The policy sets out the approach for the Board of Directors and provides a high-level indication of the approach to diversity in senior leadership roles. As set out in the policy, in identifying suitable candidates, the Committee will consider people talent on merit against objective criteria and with due regard for the benefits of diversity on the Board. The Board will aim to ensure that:

- it considers candidates from a wider pool including those with little or no listed company board experience;
- non-executive director 'long lists' will include 50% female candidates;
- it only engages executive search firms which have signed up to the voluntary Code of Conduct on gender diversity and best practice; and
- the Board comprises at least two female directors.

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 we operate, our strategic plans and the customer base. The membership of our Board is also diverse geographically with nationals from Australia, the Netherlands and Ireland as well as the UK. This diversity aids the Board's discussions and decision-making processes, given the international nature of our business. The Committee's work on diversity and inclusion is closely aligned with succession planning activities delivered through our talent management processes to improve the depth, quality and diversity of the Company's talent. Diversity is also built into Group policies as appropriate and as a business operating in different countries, collaboration between our international operations is a central dynamic of our culture. Diversity and inclusion is about treating people fairly, equitably and without bias, creating conditions that encourage and value diversity and promote respect, dignity and belonging. This is embedded in our culture and values.

The Board supported a number of initiatives undertaken in 2021 to encourage greater gender balance, including the introduction of women's forums and coaching initiatives for senior female employees across the Group. Further information on the Group's approach to diversity, and details of our current gender diversity statistics, including the balance for the senior leadership team and their direct reports, are set out on page 42.

We are pleased to report that we continue to meet the target of 33% female representation on the Board, as recommended by the Hampton-Alexander Review: FTSE Women Leaders. The Committee recognises that following the appointment of Gary Thompson as CFO in April, the Board will fall short of this target. The Board, which has met the Hampton-Alexander target for a number of years, reiterates its continued strong support and confirms this will be a key focus area in any future recruitment of Board members.

Board Evaluation

An internal Board effectiveness review was undertaken in 2021 and the Committee's performance was assessed as part of this. The Committee concluded that it operates effectively and that no immediate changes are required. The results of this review, which were considered by the Board at its meeting in January 2022, 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 that this would continue to be kept under review. Please see page 72 for further information.

Annual re-election of directors

As in previous years, Board members will stand for election or re-election by shareholders at the 2022 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. 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:

- regularly reviewing Board composition and the balance of skills, knowledge, experience and diversity;
- determining when appointments and retirements are appropriate, and lead any director searches ensuring formal, rigorous and transparent processes;
- giving full consideration to succession planning and overseeing the development of a diverse pipeline for succession at Board and senior management levels;
- ensuring that effective, deliberate and well thought through succession planning and contingency planning processes are in place across the Group for all key positions; and
- ensuring the Group continues to have the necessary level of Board and senior management skills and leadership to deliver the strategy.

The Committee's terms of reference continue to be aligned with the 2018 Corporate Governance Code and can be found on the Company's website at: www.ipfin.co.uk

Progress against 2021 key objectives

- The appointment of a new CFO.
- The re-election of the directors at the 2021 AGM.
- Review of the Board Diversity Policy.

Key objectives for 2022

- To keep under review the Board composition.
- To continue to review succession planning.
- To continue to support the development of potential internal candidates and capability assessment.

Appointment of new CFO

In conducting our search for a CFO, a thorough and rigorous recruitment process was initiated and overseen by the Nomination Committee and the Board. HW Global was appointed to assist with a comprehensive search of the external market. HW Global is a signatory to HM Treasury's Women in Finance Charter regarding the representation of women in senior managerial roles in financial services and has no connection with the Company or any of our individual directors. The search specifically focused on identifying a CFO who would be a strategic partner to the CEO; helping to set the future direction of the organisation, enhancing business performance and delivering increased shareholder value, as well as managing the financial operations of the Company. The candidate selection process focused on both technical expertise and experience as well as the personal values and behavioural traits important for success at IPF. Psychometric assessments were used to further enhance and refine the selection process.

Following this process, the Committee recommended to the Board that Gary Thompson be appointed as the new CFO recognising the particular strengths that he would bring to this role including his extensive financial services experience and operational expertise combined with his commitment to the Group's purpose and strategic aims. The Board decided unanimously to appoint Gary Thompson as CFO and he will join the Board on 4 April 2022. Gary has been the Finance Director of Vanquis Bank Limited, the major subsidiary of Provident Financial plc, since May 2020 and he has nearly 20 years' financial services experience spent in both the accounting and corporate sectors. He qualified as a Chartered Accountant in 1997 at PricewaterhouseCoopers and spent 10 years working in professional practice. He joined Provident Financial plc in August 2004 where he performed a number of finance roles, more latterly as Director of Group Finance and Investor Relations, prior to his appointment at Vanquis Bank.

Stuart Sinclair
23 February 2022

Directors' Report continued

Audit and Risk Committee Report

Richard Holmes
Chair of the Audit and Risk Committee

Committee members

Richard Holmes, Chair and Senior Independent non-executive director

Deborah Davis, Independent non-executive director

Bronwyn Syiek, Independent non-executive director

The table below shows the number of meetings held and the directors' attendance during 2021.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Richard Holmes[2]	6	6	100%
Deborah Davis	6	6	100%
Bronwyn Syiek[3]	6	5	83%
Richard Moat[4]	2	2	100%

Notes

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Richard Holmes was appointed Chair of the Committee and Senior Independent non-executive director at the AGM on 29 April 2021.
3. Bronwyn Syiek was unable to attend the December meeting due to an unavoidable and unforeseen scheduling conflict. She received the papers for the meeting and had the opportunity to discuss any issues with the Chair.
4. Richard Moat stepped down as a director from the Board at the 2021 AGM.

"I am pleased to present my first report as Chair of the Audit and Risk Committee. The Report provides an overview of the Committee's activities in the year under review, during which the continuing impact of Covid-19 on the Financial Statements of the Group remained a key area of focus."

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 2021.

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 execution of the phased return to growth plan, introduced in response to the Covid-19 pandemic, and rebuilding the business. The Committee closely monitored the consequent impacts on the Group's Financial Statements and despite remaining Covid-19 uncertainty, was pleased to see the delivery of a strong financial performance, resulting in a return to sustainable profitability. The Committee also addressed a range of routine matters, including the management of regulatory issues, cyber threat and information security and the continuing development of the compliance framework. The Committee's time was also dedicated to considering and then approving Deloitte LLP's plan for the 2021 external audit and the 2022 internal audit plan.

The year ahead

The Covid-19 pandemic has had a significant impact on the sector in which we operate, and we continue to respond to the challenges and opportunities that this brings. The Committee fulfils a key role in ensuring the continuing integrity of the Group's Financial Statements and the effectiveness of its internal financial controls and risk management systems. Through the Committee's composition, resources and commitment, it remains well placed to meet those challenges and discharge its duties in the year ahead.

Composition, role and responsibilities

The Committee consists of independent non-executive directors and met six times during the year. Members and their attendance at meetings can be found on the left.

The external auditor, Deloitte LLP, the CEO, the CFO, 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 leadership team being present.

Functionally, the Group Head of Internal Audit reports directly to the Chair of the Committee. For routine administrative matters, the Group Head of Internal Audit's principal contact is the CFO (or the CFO's representative). The Group Head of Internal Audit operates within a clearly defined remit and has good linkage to the CEO and to the rest of the organisation.

The Committee supports the Board in fulfilling its responsibilities in relation to financial reporting, monitoring the integrity of the Financial Statements and reviewing and challenging any significant financial reporting issues and judgements in relation to the Financial Statements. 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 54 to 58 facing the Group and their mitigation; and
- review and approve risk appetite proposals for 2022, together with the mechanisms that will be used for monitoring adherence to them during the year.

Progress against 2021 key objectives

- Focused on the impact of the Covid-19 pandemic on the Group's risk profile.
- Monitored throughout the year the development of the execution of the return to growth strategy.
- Supported an advisory review of the efficiency of the risk management process and followed up on its recommendations.
- Reviewed the normalising of credit policy as the uncertainty generated by Covid-19 reduced.
- Challenged the management of information security risk in the continuing hybrid work from home/office environment.

Key objectives for 2022

- Continue to keep under review during the ongoing pandemic, the Group's management of Covid-generated risks for the business.
- Focus on the changing UK regulatory reporting requirements in the near future in respect of internal control frameworks.
- Obtain assurance on the execution of ESG strategic objectives.
- Monitor the management of ongoing consumer credit regulatory challenges.
- Continue to monitor cyber security measures and operational resilience across the Group.

Activities in 2021

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 2021 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 127. 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.
- **Taxation**: 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 2021 include judgements 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 risks 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 Company Secretary attended all meetings of the Committee, who also had free and full access to the Chief Legal Officer at all times for any enquiry it may have had.
  The Committee concluded that the provisions for potentially adverse rulings by regulatory authorities and other similar issues included in the Financial Statements were appropriate.

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.

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 2021 comprised the CEO, CFO, Group Credit Director and Chief Legal Officer, together with other members of the senior leadership team, 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 emerging risks, areas of specific risk and particular issues.

During the year the Committee supported an advisory review of the efficiency of the Group's risk management process, by a third-party assurance provider, and will closely monitor the implementation of its recommendations.

The Committee challenged robustly the identification, assessment and planned mitigation of the principal risks facing the business, notably in the light of the continuing Covid-19 pandemic. See principal risks and uncertainties on pages 52 to 59.

Closer attention was paid by the Committee specifically to the management of the threat of cyber security breach due to our employees continuing to work remotely from home throughout the year, as a result of further waves of the Covid-19 pandemic, and to the threat of fraud, given the changed working environment.

In response to the onset of the Covid-19 pandemic from April 2020, governments in several of our markets introduced temporary regulation, including price controls and opt-in and opt-out debt repayment moratoria. 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. With the exception of the debt repayment moratorium in Hungary, all Covid-related temporary regulations expired by the end of the first half of 2021, but we continue to monitor the situation closely. Additionally, the European Union commenced a review of the Consumer Credit Directive, which we expect will conclude by the end of 2022. Our Group and European market teams are closely engaged in the process with a view to achieving an acceptable outcome for both customers and market players. Details are covered in the Operational Review on pages 26 to 31 and in our principal risks and uncertainties on pages 52 to 58.

Additionally, the Committee continued to monitor developments in respect of the European Commission's State Aid challenge. The Committee also received regular updates on associated matters related to this and ongoing tax audits within the Group, together with OECD and European Union international tax initiatives that could potentially impact the Group in the future. Details of the current status of tax audits are included in our principal risks and uncertainties on page 55.

The Committee noted that following the Group's successful refinancing of the business last year, and in addition to securing a SEK 450 million bond in 2021, its 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 2022.

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 2021 are referred to in the 'Training' section on page 86.

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 an inherent 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 Group Head of Internal Audit reports into the Chair of the Committee with administrative oversight from the CFO (or the CFO's representative). Group Internal Audit is composed of teams across the markets and at the Group head office in the UK, and 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 are 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 and which will be repeated in 2022. Having also invested in the adoption of new technology, data analytics in particular has started to provide deeper audit testing capability 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, and at the half year, having considered the principal areas of risk within the business, the Committee reviews and approves a 12-month rolling inherent risk-based internal audit plan, assesses the adequacy of the available internal audit resources and reviews the operational initiatives for the continuous improvement of the function's effectiveness.

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

During the year, Group Internal Audit focused on the principal risks which included regulatory compliance, reputation risk, cyber threat and information security, and the execution of projects and initiatives of strategic importance.

The Committee monitors progress on the implementation of any action plans arising on significant audit findings to ensure they are completed satisfactorily.

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;
- 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 Financial Reporting Council's Revised Ethical Standard (2019), 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.

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. The Group last went out to tender in 2010. 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 2021, it is satisfied with the relationship and, in particular, with its independence, objectivity and effectiveness. Therefore, at its February 2022 meeting, the Committee recommended to the Board that Deloitte LLP be reappointed as auditor at the 2022 AGM.

During the year ended 31 December 2021, 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, subject to the approval received from the Financial Reporting Council to defer the tender process for up to two years as detailed above.

Training

The Committee, with the Board, undertook a significant amount of training during 2021. This included presentations on the following key business areas:

- overview of the Group's value-added services offering, including insurance with a focus on financial performance and regulatory compliance;
- the management of credit risk;
- a deep dive into the management of foreign exchange risks embedded in the business;
- the results of a mapping and reliability assessment of the provision of second-line assurance provision in the Group;
- an explanation of political and regulatory developments in the markets in which we operate;
- an update on tax developments and emerging risks;
- the continuing development of the Group's compliance framework;
- a recap by the external auditor on Audit and Risk Committee responsibilities, focus areas and best practice;
- advice on the potential implications of ESG regulations for the Group;
- an update on the development of governance, compliance and control at IPF Digital;
- 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 continuing Covid-19 environment.

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

Non-audit services carried out by Deloitte LLP in 2021	Fee £'000
Other assurance services	100

Committee effectiveness

The Committee's performance was reviewed as part of the external Board evaluation review as discussed on page 72. 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 internal control and risk management systems

On behalf of the Board, the Committee has monitored the Group's internal control and risk management systems, and its processes for managing principal and emerging risks throughout 2021 and has 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 control framework. These processes were in place throughout 2021 and up to 23 February 2022.

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 2021, 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.

Richard Holmes
23 February 2022

Directors' Report continued

Technology Committee Report

John Mangelaars
Chair of the Technology Committee

Committee members

John Mangelaars, Chair and independent non-executive director

Bronwyn Syiek, Independent non-executive director

The table below shows the number of meetings held and the directors' attendance during 2021.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
John Mangelaars	4	4	100%
Richard[2] Moat	2	2	100%
Cathryn[3] Riley	2	2	100%
Bronwyn Syiek	4	4	100%

Notes

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Richard Moat stepped down as a director of the Board at the 2021 AGM.
3. Cathryn Riley stepped down as a director of the Board at the 2021 AGM.

"Accelerated by the pandemic, our digital transformation programme lies at the heart of our strategy to adapt the business to meet the future needs of consumers and create a firm foundation for longer-term growth."

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 2021.

Accelerated by the pandemic, our digital transformation programme lies at the heart of our strategy to adapt the business to meet the future needs of consumers and create a firm foundation for longer-term growth. We are focused on integrating digital technology to enhance the way we interact with our customers and provide an improved customer journey, and to make the Group more efficient. This change agenda can be assessed through three different lenses:

- regulatory-driven change, which is unpredictable and has significant business impact if not addressed and prioritised;
- migration to next-generation platforms that mitigate current technology debt or end of life risk; and
- business-driven change which reflects the changes requested that will enable improvements or enhance performance.

This year saw a continued focus on delivery through close partnership between IT and its internal customers, enabling the business to increase the pace of change and innovation, and enhance efficiencies through collaboration, simplification and standardisation to achieve the desired business outcomes for the Group.

Role of the Committee

The Committee assists the Board in overseeing the role of technology in executing the business strategy, assuring operational performance and risk, and assessing future technology developments and their implications for the Group.

The Committee consists of two independent non-executive directors and it met four times during the year. The attendance of members at each meeting is set out on the table on the left. The CEO, CFO 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.

IT Strategy

Digitisation remains a key focus for the business. In 2021, the Committee oversaw the continued development and implementation of the Group's cloud strategy to improve the experience of both our customers and colleagues. Phase one of the cloud migration project was successfully delivered on time and under budget with no disruption to the business. It was a major milestone in the home credit cloud transformation strategy, allowing the business to have a single secure data centre footprint in the UK to enhance technical resilience and stability. This enables the Group to leverage digital technologies to enhance the business with increased agility, reduced costs and an improved customer strategy. This project exemplified strong partnership and collaboration and was assisted by the mobilisation of the Group's new Cloud Centre of Excellence, an important step in harnessing the opportunities that cloud technology presents.

The Committee received regular updates on new and ongoing digitisation projects and provided challenge and support where necessary. Good progress was made in the European home credit division where investment was made in a customer service centre modernisation project to invest in next-generation customer relationship management (CRM) and telephony systems. The aim is to have a single, cloud-based connectivity tool for our European home credit customer service centres supporting sales and services, collections and debt recovery. This will include an omni-channel platform offering different methods of communicating with our customers. Within IPF Digital, the redesign and development of mobile wallet to attract new customer segments and improve retention was successfully delivered with its roll out in Latvia. The focus is to ensure that the business has a scalable digital platform for the future as well as ensuring that customer data remains safe and secure.

Running alongside these projects is the ongoing focus on the NextGen Digital Transformation to incrementally improve the Group's technology, organisation, processes and data while systematically removing blockers and dependencies to enable the operational capabilities of the business to create value.

Cyber security

The senior leadership team understands its enhanced responsibility for data security whilst operating in the financial sector and an internal team of dedicated professionals is focused on all aspects of data security. The Group maintains records of information security risks which include evidence of all technology and people risks related to data security. Each risk has an individual assessment and mitigation plan. As part of the Group's governance processes, risk owners regularly report on progress to the Group IT Director. The Committee reviewed the Group's approach to cyber security risks and the actions taken to manage these.

Our business provides a policy-based risk analysis and applies personal data security measures adequate to the risk, including reference to ISO 27001 as good practice in the information security management system.

Focus for 2022

The Committee will ensure that firm foundations are in place to ensure the IT function is well prepared and is a trusted partner of the business. The business is evolving its customer experience to create a seamless, integrated journey and leveraging digital technology to serve customers more effectively and efficiently. The Committee will continue to oversee, challenge and support the IT function in its delivery of meaningful enhancements to improve the experience of customers and colleagues as the Group progressively modernises its IT and data architecture, and improves its processes.

Fintech award win

FStech awards 2021 WINNER

IPF, together with IT partner, HCL, won the FStech "Digital Transformation Project of the Year" award in recognition of our OneDigital project, which has created a single, end-to-end digital lending platform across Europe. This allows customers access to finance in a frictionless customer journey and was recognised for bringing a human touch to technological change. The platform extends our products to potential new consumer segments and offers digital repayment options when customers are unable to meet with their customer representative.

Progress against 2021 key objectives

- Successfully delivered the migration of our UK data centre to the cloud-based Amazon Web Services creating a single secure datacentre, streamlining IT processes in European home credit while providing savings and efficiencies.
- Commenced modernisation of the European home credit telephony and CRM to improve customer service and make sales and collections activities more efficient.
- Introduced online identity verification and customer e-contracts, significantly reducing the speed of lending decisions and delivery of home credit loans.
- Redeveloped and commenced the deployment of mobile wallet in Latvia to attract new customer segments and improve retention.
- Completed the roll out of MyCollections and MyTeam in Mexico – now supporting 18,000 agents with digital collections.

Key objectives for 2022

- Continue with phase two of the cloud migration strategy.
- Continue the modernisation of European home credit's telephony and CRM systems to generate growth opportunities and serve our customers more efficiently and effectively.
- Further roll out of mobile wallet to enable customers to benefit from end-to-end digital credit, payment and value-added services.
- Progress the transformation of the IT function.

John Mangelaars
23 February 2022

Directors' Remuneration Report

Deborah Davis
Chair of the Remuneration Committee

Committee Members

Deborah Davis, Chair and independent non-executive director

Richard Holmes, Independent non-executive director

Stuart Sinclair, Chair of the Board

The table below shows the number of meetings held and the directors' attendance during 2021.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Deborah Davis	4	4	100
Richard Holmes[2]	1	1	100
Stuart Sinclair	4	4	100
Cathryn Riley[3]	3	3	100
Richard Moat[4]	3	3	100

Notes

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Richard Holmes was appointed to the Committee following the 2021 AGM.
3. Cathryn Riley stepped down as a director from the Board at the 2021 AGM.
4. Richard Moat stepped down as a director from the Board at the 2021 AGM.

"The Company delivered a strong return to profitability and growth, and the Committee remains committed to maintaining prudent and appropriate remuneration that aligns with our wider purpose and values."

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021, my first as Chair of the Remuneration Committee. The report is divided into two sections:

- a summary of our Director's Remuneration Policy (the 2020 Policy), the full detail of which can be found on pages 88-96 of the 2019 Annual Report and Financial Statements; and
- the Annual Remuneration Report, providing detail of amounts paid during the reporting year, including incentive outcomes and the planned implementation of our Remuneration Policy in 2022.

The Committee's principal goals in 2021 were:

- to maintain a clear view of macroeconomic conditions arising from the pandemic and their impact on the business and market remuneration practice; and
- to ensure that executive pay decisions were made with a clear understanding of the overall performance of the business, its evolving strategy, governance developments and the experience of our stakeholders, including our employees and shareholders.

While it is clear that potential headwinds remain in all of our markets, the achievements of the leadership team in 2021 have been considerable.

Following the proportionate, responsible and highly effective action taken to protect our people, prioritise our customers and safeguard the long-term future of the business in the face of the Covid-19 pandemic in 2020, the business has made considerable strides in 2021 towards rebuilding and delivering longer-term growth. As detailed elsewhere in the Annual Report, this included:

- successfully executing against the phased return to growth plan to rebuild the business (though a degree of Covid-19 uncertainty remains), as evidenced by a 33% increase in credit issued year on year; a 13% increase in closing customer receivables and a return to customer growth;
- delivering a strong financial performance in 2021, including a return to profit of £67.7 million; and
- the resumption of dividend payments to our shareholders, with a full-year dividend of 8.0 pence per share.

The Committee has noted the exceptional commitment of management and teams across the Company in delivering these results and believes the remuneration outcomes as outlined in this Report are a fair reflection of Company and individual performance, and align with the experience of all our stakeholders.

The Committee will be reviewing the Remuneration Policy in 2022, ahead of a shareholder vote in 2023. The review, which will be comprehensive in nature and incorporate feedback from our major shareholders, will pay particular attention to the developing ESG landscape to ensure that, in addition to key financial metrics, management focuses on the material sustainability matters that are of relevance to our stakeholders. In the meantime, no Policy changes are anticipated in 2022 and our overall remuneration principles are unchanged: simplicity and transparency; alignment with business strategy; and a strong relationship with business performance.

Overview

Role and composition

The Committee comprises two independent non-executive directors and the Chair of the Board. Full biographical details can be found on pages 62 to 63. The Committee met four times during the year, with attendance detailed on page 90.

The Committee's responsibilities include:

- approving the remuneration policy for executive directors and the senior leadership team, and making recommendations to the Board. The Committee takes account of the remuneration of the wider workforce when setting 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 via the Investors section of our website at www.ipfin.co.uk.

2021 focus and progress

The Committee's work focused on the following in 2021:

- maintaining a clear view of macroeconomic conditions arising from the Covid-19 pandemic and their impact on market practice;
- likewise, maintaining a keen interest in the steps taken by the leadership team to manage and mitigate the impact of the pandemic on the wider workforce, as detailed in the employee and customer representative context section of this Report opposite;
- ensuring effective implementation of the 2020 Policy;
- considering the remuneration package of the incoming Chief Financial Officer, which is in line with the 2020 Policy and detailed on page 103; and
- considering the exit terms of the outgoing Chief Financial Officer, as detailed on page 92.

Business context

The successful implementation of our rebuild strategy to return the business to full-year profitability and long-term growth delivered a substantial improvement in our financial performance. Group profit before tax was £67.7 million, an increase of £108.4 million year on year, with all three business divisions profitable and contributing to this improvement.

This incredibly strong result was driven by the successful execution of our rebuild strategy focused on serving customers to an exceptionally high standard. Lower impairment charges generated by strong collections and higher quality lending, together with tight control of costs, more than offset a reduction in revenue resulting from the smaller receivables portfolio year on year.

Strong Group collections performance was maintained throughout the year, and we saw growing consumer appetite for credit. This resulted in a strong increase in credit issued of 33% year on year; it also supported our goal to rebuild customer numbers, the result of which has been steady growth over H2 and a year on year increase of 2.7% to over 1.7 million. The closing receivables portfolio increased by over 13% (at CER), which contributed to improved revenue growth in the second half of the year.

Cost control remained tight following the rightsizing exercise undertaken in 2020, with the resulting costs being flat year on year.

Shareholder context

Strong performance led to the decision to reintroduce dividend payments in 2021 (final dividend of 8.0 pence per share).

Employee and customer representative context

The Committee continued to take into account wider workforce remuneration and related policies in making its remuneration decisions.

Notwithstanding the undoubted success of the business in returning to profit in H1, pandemic-related challenges remained throughout the year. For a second successive year, no general salary increases were awarded in 2021 to employees across the Group. However, the benefits derived from maintaining a stable customer representative workforce, resulting from our decision to protect their earnings in 2020 in response to the Covid-19 pandemic, were clear.

The business has worked hard to reward our employees and customer representatives and make IPF a better place to work, and this is reflected in:

- ongoing activities under the Company's employee and customer representative Care Plan, which was established in 2020 as part of the initial response to Covid-19;
- significant and ongoing work to develop and implement new value propositions for our employees and customer representatives;
- an extremely positive response to our Global People Survey;
- initiatives to support the diversity of the business, including our inaugural Women's Conference, as detailed on page 42; and
- the launch of our first ever Learning Festival (see page 41).

Finally, and in view of the Company's strong recovery, the Committee has been pleased to note a commitment to award general salary increases in all markets in 2022.

Key remuneration decisions made in 2021

Remuneration for the outgoing CFO

Justin Lockwood resigned as Chief Financial Officer and stepped down from the Board on 23 July 2021. The Committee took into account both contractual commitments and the Remuneration Policy in determining Justin's remuneration on cessation as well as his excellent performance and diligence during his 11 years with IPF, and his outstanding contribution to the Company's response to the impact of Covid-19. Consequently, the Committee decided that Justin would be treated as a Good Leaver and remain entitled (in accordance with his service agreement) to receive a 2021 annual bonus pro-rated to reflect time served during the year and paid wholly in cash. Awards made under the 2019 and 2021 PSP shall be pro-rated to his date of leaving (his 2020 PSP award having already been voluntarily surrendered) and shall vest subject to the original performance conditions being met at the normal time. The Committee also determined that the post-cessation shareholding requirement introduced as part of 2020 Policy would apply to any shares acquired after the date on which the 2020 Policy was introduced.

Other key decisions made in respect of 2021

- No base salary increases in 2021 for our Chief Executive Officer or outgoing Chief Financial Officer prior to his departure;
- PSP awards of 160% of base salary (in line with Policy) made to the executive directors, following their decision in 2020 to voluntarily surrender awards made that year;
- legacy 2019 PSP awards that have vested at 0% reflecting negative TSR performance over the life of the scheme and the impact of Covid-19 on EPS and net revenue growth (see page 99);
- approval of the remuneration package for the incoming Chief Financial Officer, which is in line with the 2020 Policy and is disclosed on page 103 of this Report.

Note also that no decision was required by the Committee in respect of annual bonus outcomes for 2020 in light of the senior leadership team voluntarily opting to cancel the 2020 annual bonus plan due to the Covid-19 pandemic.

As detailed on page 96, discretion was exercised in respect of annual bonus plan payouts for the Chief Executive Officer and outgoing Chief Financial Officer, to acknowledge the significant operational out performance on collections that resulted in approximately £67 million excess cash being collected, which in turn increased cash reserves and reduced impairment and receivables. The Committee was satisfied that the adjustment to the formulaic net receivables bonus outcome was fully merited in light of the Company's excellent overall performance. No performance conditions or targets for in-flight long-term incentives have been adjusted.

Implementation of Remuneration Policy in 2022

The Committee has approved:

- an increase in base salary of 5% in 2022 for our Chief Executive Officer in line with the wider UK workforce, with salary increasing to £559,650, following no increase since 2019 and no increase in four of the previous six years;
- financial year 2021 bonus awards of 98% of maximum for the Chief Executive Officer and 98% of maximum, pro-rata) for the outgoing Chief Financial Officer (see pages 96 to 99) reflecting performance against financial metrics and personal objectives;
- 2022 Performance Share Plan awards of 190% of salary for the Chief Executive Officer and 120% for the incoming Chief Financial Officer, to support a focus on generation of shareholder value as the Company continues to rebuild and grow in line with our strategy. The award of 190% of salary for the Chief Executive Officer reflects his outstanding contribution, over and above what would normally be expected, in very difficult circumstances. In particular, the Committee has noted the V-shaped recovery of the business following the impact of Covid-19; the fact that he has covered in a highly effective way in the absence of a Chief Financial Officer during H2 2021 and Q1 2022; that he voluntarily surrendered his PSP award in 2020 in order to support the business during the pandemic, and also volunteered the cancellation of the 2020 annual bonus; and his strong commitment to protecting the wider workforce throughout the pandemic, the benefits of which are now seen in highly stable and motivated employee and customer representative cohorts.

Other remuneration priorities for the Committee in 2022

In addition to continuing to monitor broader market and governance trends, the Committee will be reviewing the Remuneration Policy in 2022, ahead of a shareholder vote in 2023.

The Committee will seek to incorporate feedback on our current remuneration structure and implementation of the Policy from our major shareholders and will pay particular attention to the developing ESG landscape to ensure that, in addition to key financial metrics, management focuses on the material sustainability matters that are of relevance to our strategy and our stakeholders.

In conclusion, the Committee is satisfied that all decisions have been made fairly and equitably, and with the interests of you, our shareholders, at the forefront of our thinking.

As Chair of the Committee I am completely committed to maintaining an open dialogue with you and look forward to reporting on further positive progress in 2022.

Deborah Davis
23 February 2022

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 leadership 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 return to growth plan

2021

Rebuild the business

- Continue performance trajectory
- Be financially strong
- Enable longer-term growth

Our strategy

2022+ — **Underway**

Longer-term growth

- Deliver excellent service to our loyal customers
- Attract the next generation of customers
- Live our purpose

2021 performance

Profit before tax	Group net receivables growth	Earnings per share	Revenue less impairment
£67.7m	**£47.7m**	**18.8p**	**£492.5m**
+£108.4m	+13.4%*	+47.7p	+24.7%*

Our remuneration outcomes

	2021
Base pay award for our CEO	5%
Base pay award for our CFO[1]	N/A
Bonus as % of maximum for CEO	98%
Bonus as % of maximum for CFO[2]	98%
Performance Share Plan awards for CEO	190%
Performance Share Plan awards for CFO[3]	120%
Legacy 2019 Performance Share Plan vested at	0%

1. No increase will be given in 2022 to the incoming CFO.
2. Justin Lockwood remained eligible for an annual bonus payment, paid pro-rata to his date of leaving.
3. An award of 120% will be made to the incoming CFO (pro-rata of the normal award level).

* At constant exchange rates

Our 2020 Remuneration Policy at a glance

Our Remuneration Policy	2021 – 2026	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.	Award normally equivalent to 160% of base salary at time of grant (maximum 250%). 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.

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 website via 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 the 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.
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.	– In normal circumstances, 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.

Element	Operation	Maximum opportunity	Metrics, weightings and period
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.

Annual Directors' Remuneration Report 2021

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 2020 and 2021.

	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)	
	2021	2020	**2021**	2020	**2021**	2020	**2021**[2]	2020[3]	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Executive directors																
Gerard Ryan	**533**	533	**26**	25	**681**	–	**19**	25	**94**	94	**1,353**	677	**653**	652	**700**	25
Justin Lockwood[4]	**172**	305	**12**	22	**220**	–	**10**	13	**24**	41	**438**	381	**208**	368	**230**	13
Non-executive directors																
Deborah Davis[5]	**62**	55	**–**	–	**–**	–	**–**	–	**–**	–	**62**	55	**62**	55	**–**	–
Richard Holmes[6]	**79**	44	**–**	–	**–**	–	**–**	–	**–**	–	**79**	44	**79**	44	**–**	–
John Mangelaars[7]	**65**	65	**–**	–	**–**	–	**–**	–	**–**	–	**65**	65	**65**	65	**–**	–
Richard Moat[8]	**30**	90	**–**	–	**–**	–	**–**	–	**–**	–	**30**	90	**30**	90	**–**	–
Cathryn Riley[9]	**21**	65	**–**	–	**–**	–	**–**	–	**–**	–	**21**	65	**21**	65	**–**	–
Stuart Sinclair[10]	**200**	141	**–**	–	**–**	–	**–**	–	**–**	–	**200**	141	**200**	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 2021 relates to the PSP award granted in 2019, the performance period for which was the three financial years ending 31 December 2021 and did not vest. This value also includes the anticipated value of dividend equivalents that will be payable in 2022, relating to the 2019 Deferred Share Plan from grant to date of vesting.
3. The value of awards included in the table for 2020 has been revised to reflect the actual value of awards at date of vesting and any dividend equivalents received in 2021 when the awards became exercisable.
4. The amounts shown for 2021 reflect that Justin Lockwood resigned from the Board and Company effective from 23 July 2021.
5. Deborah Davis took over as Chair of the Remuneration Committee following the 2021 AGM. In addition to her base fee of £55,000 she is paid a fee of £10,000 per annum (pro-rata) for this additional responsibility.
6. Richard Holmes was appointed Senior Independent Director and Chair of the Audit and Risk Committee following the 2021 AGM. In addition to his base fee of £55,000 he was paid a fee of £20,000 (pro-rata) as Senior Independent Director and £15,000 (pro-rata) as Chair of the Audit and Risk Committee.
7. John Mangelaars chaired the Technology Committee during 2021. In addition to his base fee of £55,000, he was paid a fee of £10,000 per annum for his additional responsibility as Chair of the Technology Committee.
8. Richard Moat was Senior Independent Director until he stepped down at the conclusion of the 2021 AGM. His fee for 2021 was paid pro rata.
9. Cathryn Riley was Chair of the Remuneration Committee until she stepped down at the conclusion of the 2021 AGM. Her fee for 2021 was paid pro rata.
10. Stuart Sinclair is Chair of the Board and also Chair of the Nomination Committee; no additional fee is paid for his work as Chair of the Nomination Committee.

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 2021. The base salary of the Chief Financial Officer also remained unchanged at £305,000 until his departure in July 2021.

Benefits

The benefits provided to the executive directors in 2021 included: private healthcare, life assurance, annual medical, long-term disability cover, and a cash allowance in lieu of a company car.

Determination of 2021 annual bonus

The maximum bonus opportunity for the Chief Executive Officer and, prior to his departure, the Chief Financial Officer was 130% of salary (50% of maximum for on-target performance). During 2021, a balanced scorecard approach was used to ascertain annual bonus outcomes whereby:

- 60% of total bonus opportunity was subject to achieving the profit before tax (PBT) element;
- a further 20% was contingent on Net Receivables Growth (NRG); and
- the remaining 20% of the plan was subject to the achievement of personal objectives and conditional upon achievement of the financial measures.

Qualifiers for the 2021 annual bonus were:

- for any bonus to be payable, the Group must first achieve the PBT qualifying figure;
- once the Group PBT qualifier is achieved, the NRG metric may pay providing the qualifier for that element is achieved; but
- for the PBT element to pay the Group PBT threshold must be achieved.

Group bonus targets

Group bonus targets were set considering the Company's operating budget. Targets were designed to be stretching in support of the Company's strategic objectives to rebuild and grow, and to focus on metrics and personal targets that would deliver in line with this strategy, as well as stretching and motivating participants. Bonus targets for the executive directors for 2021 were as follows:

	Metric	Weighting in Scheme	Qualifier	Threshold	Target	Stretch	Achievement	Bonus Payment %
Financial[1]	Group PBT	60%	£33.8m	£35.6m	£42.6m	£47.8m	£67.7m	78.0
	Group Net Receivables Growth	20%	12.7%	14.1%	17.2%	19.5%	18.7%	23.8

1. Straight line between each point.

Bonus targets were adjusted for constant exchange rates in line with actual performance.

The Group delivered a strong return to profitability in 2021, with an increase in profit before tax of £108.4 million. Excellent execution of the agreed strategy delivered a consistently strong collections performance and exceptionally low impairment, coupled with the maintenance of strong cost control following the Group's rightsizing in 2020. All business divisions were profitable in the year. This resulted in the achievement of the stretch profit before tax target and a bonus of 78% for each of the executive directors against this metric.

In respect of performance against target for Group net receivables, the committee exercised its discretion to amend the outcome by 5% to acknowledge the significant operational outperformance on collections that resulted in approximately £67 million excess cash being collected, which increased cash reserves and reduced impairment and receivables. This resulted in an increase in the bonus award of 23.8ppt against this metric.

Consequently, the bonus payment in respect of financial elements totalled 101.8%.

Personal objectives

The tables on pages 97 and 98 explain the objectives that were set for each executive director in 2021 and achievement against them.

Criteria met

Criteria partially met

Criteria not met

Gerard Ryan – Chief Executive Officer

Category	Objective	Weighting	Results	Achievement
People and structure	– Successfully hire a new Group CFO and effectively manage the period prior to the CFO's commencement.	20%	– Gary Thompson appointed and will join in April 2022 following an exhaustive and highly effective search process to find a candidate with the best fit for the Company. Extremely effective oversight of the Finance function and leadership team in the interim.	
	– Further strengthen the leadership team by the appointment and deployment of a Strategic Partnerships Director.		– Appointment made as planned in Q1 2021, together with an appropriately skilled team.	
	– Engage and deploy two new digitally enabled channels through the strategic partnerships strategy.		– Total partnerships plan developed and targets identified, of which two were signed and launched in Romania and Mexico in support of the strategic development of retail point-of-sale finance options.	
	– Review the succession pipeline to ensure a seamless transition following the re-deployment of the IPF Digital Managing Director.		– Succession pipeline successfully delivered a number of key internal appointments, including to IPF Digital and Strategic Partnerships.	
Purpose and culture	– Lead and embed a new and sustainable purpose for the IPF Group, ensuring that progress can be clearly highlighted and explained to shareholders.	20%	– Significant progress made to define and embed purpose across the Company. Clear support from external stakeholders, including NGOs, and a clear plan in place to measure and report on progress, including engagement with shareholders in Q1 2022.	
Business performance and Covid-19	– Demonstrate a strong and responsible rebuild of the organisation as it continues to operate through the Covid-19 pandemic.	20%	– Delivery against strategy has resulted in a V-shaped recovery following the impact of the pandemic in 2020.	
	– Maintain health and safety of our employees and customer representatives as our number one priority.		– The Company's Care Programme has consistently supported health, safety and wellbeing. This is reflected in key people metrics, including the Global People Survey.	
Technology enablement	– Lead the next phase of improved customer choice and experience through the application of smart technology solutions and use of data.	20%	– Several key projects successfully launched in 2021, including the roll out of the mobile wallet platform in the Baltics; delivery of a more seamless customer experience in Romania, and the launch of the ProviGo app in Poland.	
	– Position the business in readiness for the test and launch of a credit card offering in Poland.		– Ground work largely complete in readiness for the launch of a credit card offering in Poland, including application for the appropriate licence.	
Diversity and inclusion	– Personally lead the international drive to support women in IPF, leading to greater throughput of female talent.	20%	– Very good progress made, with the proportion of senior female leadership increasing year on year; significant female appointments in Partnerships, Advanced Analytics and Product and Channel Development; and the first Global Women's Conference. Additional one-to-one and structured development is now offered to many high-potential female employees	

Criteria met
Criteria partially met
Criteria not met

Justin Lockwood – Chief Financial Officer (to 23 July 2021)

Category	Objective	Weighting	Results	Achievement
Support top line performance	– Implement processes to identify profitable growth opportunities within Covid-related constraints.	25%	– Processes implemented to deliver continued improvements in collections effectiveness and, in turn, seek out growth opportunities by dynamically managing profitability of lending on a cohort-by-cohort basis, based on emerging credit performance. This laid the foundations for delivering net receivables growth of 13.4% (at CER) whilst managing continued changes in Covid-related regulations in Hungary.	
Deliver a sustainable financial result	– Manage balance sheet risk to optimise ability to grow while maintaining the need for caution during the pandemic.	25%	– Processes and controls implemented to closely monitor and drive the recovery of the business from the Covid-related reduction in scale in 2020. This included delivering impairment as a percentage of revenue of 10.2% as a platform to support growth opportunities and costs maintained at 2020 levels. The Group operated well within its debt facilities during the year with adequate liquidity to support its growth. The foundations were laid for a stabilisation of Fitch's credit rating and the refinancing of the Group's SEK bond at a lower cost in Q3.	
Enable long-term growth	– Establish a framework for funding capital-intensive strategic investments.	25%	– Established a funding control framework for major IT-related developments that aimed to modernise and broaden the customer proposition. Ensured that project risks were dynamically managed and funding remained available at appropriate times through project lifecycle.	
Continuity planning	– Design and implement a continuity plan to ensure no loss of momentum in the Finance function on exit from the business.	25%	– A comprehensive plan was prepared setting out in detail every element of the CFO role, the key accountabilities across the finance function, and how the function should be reorganised so that execution across Finance continued uninterrupted in the absence of a CFO. A professional handover plan was organised and implemented, and the reporting lines of all critical roles redesignated to the CEO and Group Credit Director.	

The Committee reviewed in detail the executive directors' performance against their personal objectives, and, in the case of the Chief Financial Officer, has taken into account in particular his exemplary contribution prior his departure from the business. In the case of the Chief Executive Officer, the Committee agreed that he has been responsible for leading the Company's outstanding recovery and for delivering against the Company's rebuild strategy in 2021. The significant progress made in the adoption and roll out of smart technology was also noted, as was work to define and embed a clear and logical purpose across the business. Consequently, the Committee determined that the bonus payout in respect of personal objectives for the Chief Executive Officer is 26% and 26% for the outgoing Chief Financial Officer.

Bonus outcomes for 2021

The Committee awarded bonuses to the executive directors as follows, for the year ending 31 December 2021.

Name	Financial objectives – achievement as % of base salary	Personal objectives – achievement as % of base salary	Cash bonus £'000	DSP – face value of shares due to vest in 2025 £'000	Total value of 2021 annual bonus £'000	Cash and DSP shares awarded as a % of maximum available bonus
Gerard Ryan	101.8	26	340.7	340.7	681.4	98.3
Justin Lockwood[1]	101.8	26	220.4	–	220.4	98.3

1. Justin Lockwood's bonus calculations are made on a pro-rata basis to his leaving date of 23 July 2021 in line with the terms of his service agreement. Payment is made in full in cash, with no deferral.

For the Chief Executive Officer, the bonus is payable 50% in cash and 50% in deferred shares, which will vest at the end of a three-year period, subject to the Chief Executive Officer not being dismissed for misconduct. There are also provisions for clawback with respect to the cash element of the bonus, and malus and clawback with respect to the deferred element of bonus.

For the outgoing Chief Financial Officer, as explained on page 92, payment is made in full in cash, which is subject to clawback provisions.

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); for the outgoing Chief Financial Officer was 15% of base salary (13.4% net); and for the incoming Chief Financial Officer will be 12% of base salary. 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 2021 amounted to £94,000, all of which was paid as a cash allowance. The Company's contributions in respect of Justin Lockwood during 2021 amounted to £24,000, £22,000 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 2022 (included in 2021 Single Figure)

The LTIP amount included in the 2021 single figure table relates to the PSP awards granted in 2019. 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	(29%)	**0%**
Cumulative EPS growth	25%	82.8 pence	100.6 pence	31.6 pence	**0%**
Growth in revenue less impairment	25%	5.7% p.a.	6.9% p.a.	(7.8%) p.a.	**0%**
Total					**0%**

1. Based on TSR from 1 January 2019 to 31 December 2021.

Awards granted during 2021

Executive directors were granted long-term incentive plan awards structured as PSP options in March 2021. The resulting number of PSP shares and associated performance conditions are set out below. Awards granted in 2022 will be in line with the 2020 Policy.

Name	Number of PSP nil-cost options	Face value £	Percentage of base salary	End of performance period	Threshold vesting	Weighting	Performance conditions
Gerard Ryan	810,185	852,800	160%	31 December 2023	25%	50%	Absolute TSR
					25%	25%	Cumulative EPS growth
					25%	25%	Net Revenue growth
Justin Lockwood	463,614	488,000	160%	31 December 2023	25%	50%	Absolute TSR
					25%	25%	Cumulative EPS growth
					25%	25%	Net Revenue growth

The Committee determined that, in consideration of his excellent contribution to the Group over a period of 11 years and in light of his decision to voluntarily surrender his PSP award in 2020, Justin Lockwood should be treated as a Good Leaver in respect of the 2021 award, such that he may benefit on a pro-rata basis to his date of leaving from any future vesting of the award.

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	45.1 pence	54.8 pence
Net Revenue Growth	¼	11.6%	14.1%

DSP

As no annual bonus plan was offered to executive directors in 2020 and no payments were made, there was 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. The executive directors did not participate in the SAYE with the result that no options were granted to them under the plan in 2021.

Loss of office payments

On 23 July 2021, Justin Lockwood stepped down from the Board and the role of Chief Financial Officer.

The following remuneration arrangements were agreed by the Committee and are in line with the provisions of the Remuneration Policy:

- In accordance with his service agreement, Justin Lockwood received salary, pension and contractual benefits up to 23 July 2021.
- For the purposes of the IPF Performance Share Plan (PSP), he will be treated as a Good Leaver. Any outstanding PSP share awards under the PSP will be pro-rated to 23 July 2021 and will only vest to the extent that the applicable performance conditions are satisfied, and malus and clawback provisions will continue to apply. Any shares that vest will remain subject to the two-year holding requirement.
- Outstanding Deferred Share Plan (DSP) awards, will vest on the normal vesting date, in accordance with the rules of the DSP.
- In accordance with the Company's Remuneration Policy and his service agreement, he is eligible for an annual bonus in respect of 2021, pro-rated to the date of resignation, and payable in March 2022. As noted on page 92, the Committee determined that his 2021 pro rata annual bonus payment may be made fully in cash.

No other remuneration payment, or payment for loss of office, has been or will be made.

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 compared with the average percentage change in each of those components for employees, on a full-time equivalent basis. The table will build over time to show five years' data. Leavers during the year are excluded.

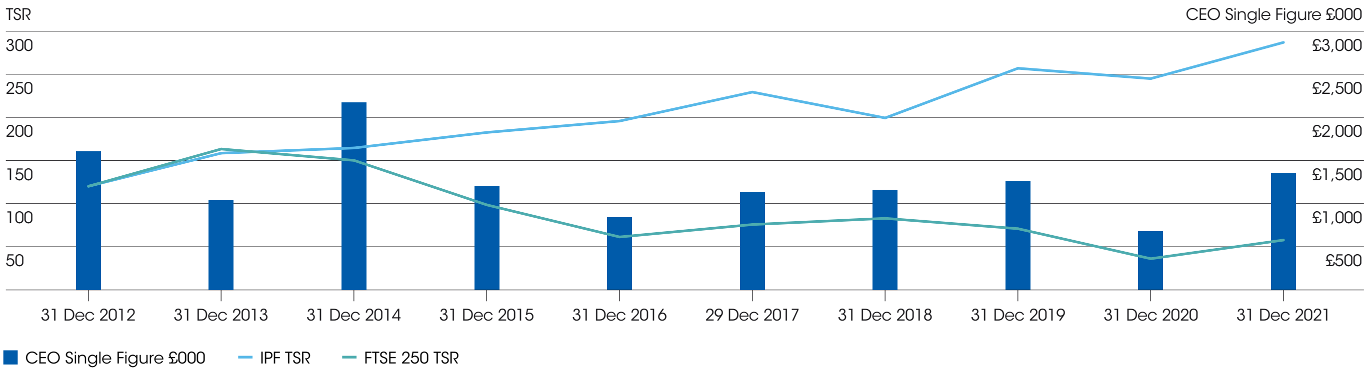
	2020 vs. 2019			2021 vs. 2020		
Percentage change in the relevant period	Base salary	Benefits	Bonus	Base salary	Benefits[1]	Bonus[2]
Executive directors						
Gerard Ryan	1%	0%	(100%)	0%	0%	100%
Non-executive directors						
Deborah Davis	0%	N/A	N/A	12%	N/A	N/A
Richard Holmes[3]	N/A	N/A	N/A	79%	N/A	N/A
John Mangelaars	0%	N/A	N/A	0%	N/A	N/A
Stuart Sinclair[4]	N/A	N/A	N/A	42%	N/A	N/A
Bronwyn Syiek	0%	N/A	N/A	0%	N/A	N/A
Employees	1%	3%	(100%)	(2%)	(2%)	100%

1. Non-executive directors are ineligible for any benefits.
2. Non-executive directors are ineligible for any bonus.
3. Richard Holmes was appointed to the Board from 16 March 2020.
4. 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 10-year period ended 31 December 2021. 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 Total Shareholder Return vs FTSE 250



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

Year	CEO	CEO single figure of remuneration £'000	Annual bonus payout (as % of maximum opportunity)	LTIP vesting (as % of maximum opportunity)
2021	Gerard Ryan	1,353	98.3%	–
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%	–
	Gerard Ryan[1]	889	80%	–
2012	John Harnett[2]	718	–	–

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	2021	2020	Percentage change
Overall expenditure on pay	156.9	171.8	(8.7%)[1]
Dividend paid in the year	4.9	–	100%

1. The percentage change at a constant exchange rate is 2.3%.

Other directorships

The Chief Executive Officer does 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 2021 (together with interests held by his or her persons closely associated) are shown in the table below. Stuart Sinclair is currently within the three-year period to build his 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	1,397,273	1,312,873	248,317	20,930	–	–	200	338	Y
Non-executive directors[3]									
Deborah Davis	45,000	–	–	–	–	–	100	106	Y
Richard Holmes	275,133	–	–	–	–	–	100	645	Y
John Mangelaars	50,000	–	–	–	–	–	100	117	Y
Stuart Sinclair	86,944	–	–	–	–	–	100	56	N
Bronwyn Syiek	20,000	–	–	–	–	–	100	47	N

1. Based on a share price of 129 pence, being the closing price on 31 December 2021 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. Of the 1.4 million shares held by Gerard Ryan, 0.9 million were purchased outright by him using his own funds.
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 2021 and 23 February 2022.

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 via the Investor section of the Company website at www.ipfin.co.uk.

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

	Date of award	Awards held at 31 December 2020	Awarded in 2021	Exercised in 2021	Lapsed / Surrendered in 2021[1]	**Awards held at 31 December 2021**	Performance condition period	Market price at date of grant (p)	Exercise price (p)	Exercise period
Gerard Ryan										
PSP	11 Apr 17	122,236	–	(122,236)	–	**–**	1 Jan 2017 – 31 Dec 2019	170	–	11 Apr 2020 – 10 Apr 2027
	19 Apr 18	408,162	–	–	(408,162)	**–**	1 Jan 2018 – 31 Dec 2020	248	–	19 Apr 2021 – 18 Apr 2028
	08 Mar 19	502,688	–	–	–	**502,688**	1 Jan 2019 – 31 Dec 2021	191	–	8 Mar 2022 – 7 Mar 2029
	23 Mar 21	–	810,185	–	–	**810,185**	1 Jan 2021 – 31 Dec 2023		–	23 Mar 2024 – 22 Mar 2031
DSP: Deferred	11 Apr 17	31,608	–	(31,608)	–	**–**	–	170	–	–
Matching	11 Apr 17	10,431	–	(10,431)	–	**–**	1 Jan 2017 – 31 Dec 2019	170	–	11 Apr 2020 – 10 Apr 2027
Deferred	10 Apr 18	102,043	–	(102,043)	–	**–**	–	246	–	–
Deferred	08 Mar 19	128,709	–	–	–	**128,709**	–	191	–	–
Deferred	28 Feb 20	119,608	–	–		**119,608**	–	147	–	–
SAYE	30 Aug 19	20,930	–	–	–	**20,930**	–	–	86	1 Nov 2022 – 31 May 2023
Total		**1,446,415**	**810,185**	**(266,318)**	**(408,162)**	**1,582,120**				

1. The April 2018 PSP lapsed in full.

The mid-market closing price of the Company's shares on 31 December 2021 was 129 pence and the range during 2021 was 78.4 pence to 155.4 pence. The aggregate gains of directors arising from the exercise of options granted under the DSP in the year totalled £179,202.71.

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 2019, 2020 and 2021 AGMs (% of total votes cast):

AGM		For	Against	Withheld[1]
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%
2021	Annual Remuneration Report	99.98%	0.02%	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 Remuneration Policy implementation for 2022

The base salary for the Chief Executive Officer will increase by 5% to £559,650.

The base salary for the incoming Chief Financial Officer will be £325,000.

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. Any annual bonus due to the incoming Chief Financial Officer will be paid on a pro rata basis for the 2022 financial year.

The Committee expects to make 2022 LTIP awards, including to the incoming Chief Financial Officer, prior to the 2022 AGM in accordance with the 2020 Policy; awards will be at 190% of base salary for the Chief Executive officer and 120% of base salary for the incoming Chief Financial Officer (pro rata of the normal 160%), in line with the 2020 Policy.

The 2022 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 maximum.

Performance condition	Weighting	Threshold (vesting 25%)	Maximum (Vesting 100%)
Absolute TSR Performance	½	30%	60%
Cumulative EPS Growth	¼	60.3 pence	82.9 pence
Net Revenue Growth	¼	5.7% p.a	11.4% p.a

No changes are anticipated to the operation of the 2020 Policy.

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:

- Deborah Davis
- Stuart Sinclair
- Richard Holmes
- Richard Moat[1]
- Cathryn Riley[1]

1. Richard Moat and Cathryn Riley stepped down from the Committee and the Board at the conclusion of the 2021 AGM.

The Committee received assistance from the Chief People Officer 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

Willis Towers Watson, appointed in April 2016, provides independent remuneration advice to the Committee. During 2021, total fees in respect of advice to the Committee (based on time and materials) totalled £22,600 (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

Deborah Davis
Chair

23 February 2022

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 United Kingdom adopted International Accounting Standards (UKIAS) and Article 4 of the International Accounting Standard (IAS) Regulation and have also chosen to prepare the Parent Company Financial Statements under UKIASs. 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 UKIASs 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 UKIASs, give a true and fair view of the assets, liabilities, financial position and profit/loss 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 35 and 59.

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 2021 to the date of this Annual Report and Financial Statements and is satisfied that they are effective.

By order of the Board

Laura Dobson
Company Secretary

23 February 2022

Independent Auditor's Report to the members of International Personal Finance plc

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 2021 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance United Kingdom adopted international accounting standards;
- the parent company Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance 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 and United Kingdom adopted international accounting standards and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006, and IFRSs as issued by the IASB.

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. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 4 to the Financial Statements. We confirm that we have not provided any non- audit services prohibited by the FRC's Ethical Standard 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; and – Impairment of receivables 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	Following the Group's return to profitability and the refinancing of certain of its long-term borrowings in 2021, there has been the following significant change in our audit approach from the prior period: the removal of a key audit matter around going concern.

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 included:

- obtaining an understanding of the relevant controls performed at the Group-level in relation to the going concern and forecasting processes;
- reviewing the availability and terms of the Group's financing arrangements, and challenging whether management's forecasts could result in a breach of banking covenants in the future;
- testing the mechanical accuracy of management's future forecasts, and evaluating the reasonableness of assumptions made with reference to our understanding of the Group's performance in prior periods, changes in its legal and regulatory environment and the impacts that Covid-19 has had, and is expected to have, on its material components;
- assessing the adequacy and completeness of stress testing performed by management, with reference to our understanding of the Group's business and external environment;
- challenging the likelihood that the reverse stress test scenario prepared by management, which resulted in the Group breaching its banking covenants, will crystalise during the going concern period; and
- reviewing the disclosures relating to going concern, included on page 35, in order to assess their consistency with our understanding of the Group's forecast performance and position.

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. The key audit matter is described further in the Audit and Risk Committee's report on page 84 and within the key sources of estimation uncertainty on page 127. 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, as well as the impact of recent changes in rebate legislation in Poland. 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.

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 2020 had a disruptive impact on each of the Group's markets, and there is ongoing uncertainty over how the pandemic will impact the Group's expected credit losses on the element of the loan book that was advanced prior to April 2020. In addition, there are high degrees of uncertainty over how rising inflation rates in the Group's markets may impact the ability of its customers to service their loans, and therefore the expected credit losses that are expected to crystallise in future periods. 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 84 and within the key sources of estimation uncertainty on page 127. 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 for each of the Group's material markets. This included working with internal credit and economic to challenge the reasonableness of assumptions made over collectability of loans affected by the Covid-19 pandemic, and the impact that high levels of inflation in the Group's core markets may have on the Group's customers, producing independent estimates using alternative data sets and professional judgement. We also 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 128 are reasonable.

6. Our application of materiality

6.1. Materiality

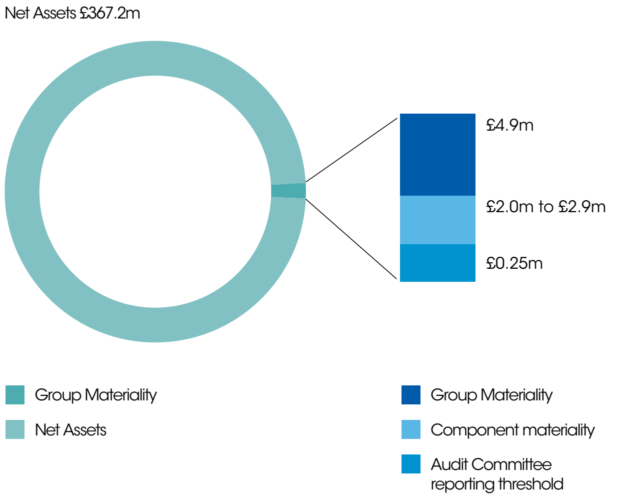
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our 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 (2020: £4,900,000)	£2,450,000 (2020: £2,450,000)
Basis for determining materiality	1.3% of consolidated net assets (2020: 1.3% of consolidated net assets).	Parent company materiality equates to 1% of net assets, which is capped at 50% of group materiality (2020: 1% of net assets, capped at 50% of Group materiality).
Rationale for the benchmark applied	Given the ongoing volatility in the Group's reported profit/loss before taxation, we have determined net assets to be the most stable and appropriate benchmark for assessing materiality.	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% (2020: 65%) of Group materiality	50% (2020: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the heightened level of risk arising from the ongoing impacts of COVID-19 on the Group, as well as the level of uncorrected misstatements identified in prior periods, and elected to maintain performance materiality at 65% of materiality in line with the prior period.	In determining performance materiality, we reduced performance materiality to a lower level than the prior period after considering the heightened level of risk arising from the ongoing impacts of COVID-19 and the level of uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £245,000 (2020: £245,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

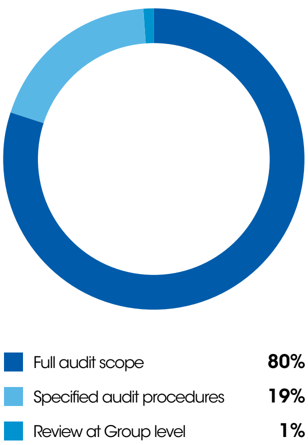
7. An overview of the scope of our audit

7.1. Identification and scoping of components

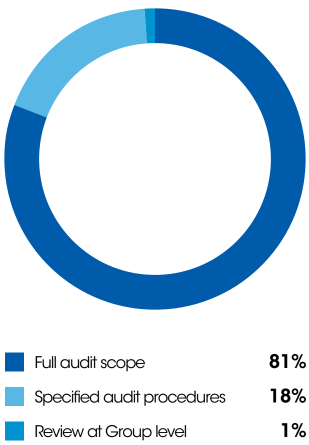
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at given locations, which 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 managed in Poland subject to specific balance testing. The scope of our audit was consistent with that from the prior period.

These twelve entities represent the principal business units of the Group, and account for 99% (2020: 96%) of the Group's net credit receivables, 99% (2020: 97%) of the Group's revenue and 95% (2020: 97%) of the Group's profit (2020: loss) before taxation.

Revenue



Net credit receivables



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 company 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. 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 and tax authorities 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 35;
- 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 59;
- the directors' statement on fair, balanced and understandable set out on page 87;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 52;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 87; and
- the section describing the work of the audit committee set out on pages 84 and 85.

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 and Risk 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 11 years, covering the years ending 31 December 2011 to 31 December 2021.

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the ESEF-prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Peter Birch FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

23 February 2022

Consolidated Income Statement

for the year ended 31 December

Group	Notes	**2021 £m**	2020 Pre-exceptional items £m	2020 Exceptional items (note 10) £m	2020 £m
Revenue	1	**548.7**	661.3	–	661.3
Impairment	1	**(56.2)**	(247.6)	(2.5)	(250.1)
Revenue less impairment		**492.5**	413.7	(2.5)	411.2
Finance costs	2	**(54.0)**	(55.0)	8.2	(46.8)
Other operating costs		**(111.4)**	(108.7)	–	(108.7)
Administrative expenses		**(259.4)**	(278.8)	(17.6)	(296.4)
Total costs		**(424.8)**	(442.5)	(9.4)	(451.9)
Profit/(loss) before taxation	1	**67.7**	(28.8)	(11.9)	(40.7)
Tax income – UK		**6.6**	2.3	0.1	2.4
Tax (expense)/income – overseas		**(32.4)**	(26.8)	0.9	(25.9)
Total tax (expense)/income	5	**(25.8)**	(24.5)	1.0	(23.5)
Profit/(loss) after taxation attributable to owners of the Company		**41.9**	(53.3)	(10.9)	(64.2)

Group	Notes	**2021 pence**	2020 pence
Earnings/(loss) per share – statutory			
Basic	6	**18.8**	(28.9)
Diluted	6	**17.8**	(27.4)

See note 6 for further information on Earnings per share

Statements of comprehensive income

for the year ended 31 December

		Group		Company	
		2021 £m	2020 £m	**2021 £m**	2020 £m
Profit/(loss) after taxation attributable to owners of the Company		**41.9**	(64.2)	**(48.2)**	181.7
Other comprehensive (expense)/income					
Items that may subsequently be reclassified to income statement					
Exchange losses on foreign currency translations		**(37.6)**	(4.1)	**–**	–
Net fair value gains – cash flow hedges		**1.4**	1.3	**–**	–
Tax charge on items that may be reclassified	5	**(0.7)**	(0.3)	**–**	–
Items that will not subsequently be reclassified to income statement					
Actuarial gains/(losses) on retirement benefit obligation	27	**0.5**	(1.4)	**0.5**	(1.4)
Tax credit on items that will not be reclassified	5	**0.1**	0.3	**0.1**	0.3
Other comprehensive (expense)/income net of taxation		**(36.3)**	(4.2)	**0.6**	(1.1)
Total comprehensive income/(expense) for the year attributable to owners of the Company		**5.6**	(68.4)	**(47.6)**	180.6

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

Balance sheets

as at 31 December

	Notes	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Assets					
Non-current assets					
Goodwill	11	**22.9**	24.4	**–**	–
Intangible assets	12	**25.2**	30.2	**–**	–
Investment in subsidiaries	13	**–**	–	**731.4**	731.2
Property, plant and equipment	14	**13.8**	15.4	**1.4**	–
Right-of-use assets	15	**17.7**	17.5	**2.9**	–
Amounts receivable from customers	17	**150.2**	136.5	**–**	–
Deferred tax assets	16	**124.7**	135.7	**0.5**	–
Non-current tax asset		**15.3**	–	**–**	
Retirement benefit asset	27	**4.9**	3.4	**4.9**	3.4
		374.7	363.1	**741.1**	734.6
Current assets					
Amounts receivable from customers	17	**566.6**	532.6	**–**	–
Derivative financial instruments	23	**0.7**	0.5	**–**	0.1
Cash and cash equivalents	18	**41.7**	116.3	**4.4**	65.1
Other receivables	19	**14.0**	9.9	**555.5**	581.9
Current tax assets		**1.6**	1.5	**–**	–
		624.6	660.8	**559.9**	647.1
Total assets		**999.3**	1,023.9	**1,301.0**	1,381.7
Liabilities					
Current liabilities					
Borrowings	21	**(3.1)**	(0.2)	**–**	–
Derivative financial instruments	23	**(7.6)**	(6.7)	**(0.1)**	–
Trade and other payables	20	**(112.8)**	(89.1)	**(383.4)**	(391.3)
Provision for liabilities and charges	26	**(5.4)**	(19.2)	**–**	–
Lease liabilities	15	**(6.4)**	(7.4)	**(0.1)**	–
Current tax liabilities		**(8.2)**	(13.4)	**–**	–
		(143.5)	(136.0)	**(383.6)**	(391.3)
Non-current liabilities					
Deferred tax liabilities	16	**(7.9)**	(13.8)	**(1.2)**	(0.2)
Borrowings	21	**(468.5)**	(491.8)	**(395.8)**	(415.9)
Lease liabilities	15	**(12.3)**	(11.8)	**(2.7)**	–
		(488.7)	(517.4)	**(399.7)**	(416.1)
Total liabilities		**(632.2)**	(653.4)	**(783.3)**	(807.4)
Net assets		**367.1**	370.5	**517.7**	574.3
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		**(32.6)**	5.0	**–**	–
Hedging reserve		**1.6**	0.9	**–**	–
Own shares		**(46.6)**	(45.2)	**(46.6)**	(45.2)
Capital redemption reserve		**2.3**	2.3	**2.3**	2.3
Retained earnings		**441.5**	406.6	**312.3**	367.5
Total equity		**367.1**	370.5	**517.7**	574.3

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

The loss after taxation of the Parent Company for the period was £48.2 million (2020: profit of £181.7 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 23 February and were signed on its behalf by:

Gerard Ryan
Chief Executive Officer

Statements of changes in equity

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 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
At 1 January 2021		**23.4**	**(22.5)**	**5.0**	**0.9**	**(45.2)**	**2.3**	**406.6**	**370.5**
Comprehensive income									
Profit after taxation for the year		**–**	**–**	**–**	**–**	**–**	**–**	**41.9**	**41.9**
Other comprehensive (expense)/income									
Exchange losses on foreign currency translation		**–**	**–**	**(37.6)**	**–**	**–**	**–**	**–**	**(37.6)**
Net fair value gains – cash flow hedges		**–**	**–**	**–**	**1.4**	**–**	**–**	**–**	**1.4**
Actuarial gain on retirement benefit obligation	27	**–**	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Tax (charge)/credit on other comprehensive income	5	**–**	**–**	**–**	**(0.7)**	**–**	**–**	**0.1**	**(0.6)**
Total other comprehensive (expense)/income		**–**	**–**	**(37.6)**	**0.7**	**–**	**–**	**0.6**	**(36.3)**
Total comprehensive (expense)/income for the year		**–**	**–**	**(37.6)**	**0.7**	**–**	**–**	**42.5**	**5.6**
Transactions with owners									
Share-based payment adjustment to reserves		**–**	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Shares acquired by employee and treasury trusts		**–**	**–**	**–**	**–**	**(3.9)**	**–**	**–**	**(3.9)**
Shares granted from treasury and employee trust		**–**	**–**	**–**	**–**	**2.5**	**–**	**(2.5)**	**–**
Dividends paid to Company shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**(4.9)**	**(4.9)**
At 31 December 2021		**23.4**	**(22.5)**	**(32.6)**	**1.6**	**(46.6)**	**2.3**	**441.5**	**367.1**

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 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
At 1 January 2021		**23.4**	**226.3**	**–**	**(45.2)**	**2.3**	**367.5**	**574.3**
Comprehensive income								
Loss after taxation for the year		**–**	**–**	**–**	**–**	**–**	**(48.2)**	**(48.2)**
Other comprehensive (expense)/income								
Actuarial gain on retirement benefit obligation	27	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Tax credit on other comprehensive income	5	**–**	**–**		**–**	**–**	**0.1**	**0.1**
Total other comprehensive income		**–**	**–**	**–**	**–**	**–**	**0.6**	**0.6**
Total comprehensive expense for the year		**–**	**–**	**–**	**–**	**–**	**(47.6)**	**(47.6)**
Transactions with owners								
Share-based payment adjustment to reserves		**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Shares acquired by employee and treasury trusts		**–**	**–**	**–**	**(3.9)**	**–**	**–**	**(3.9)**
Shares granted from treasury and employee trust		**–**	**–**	**–**	**2.5**	**–**	**(2.5)**	**–**
Dividends paid to Company shareholders	7	**–**	**–**	**–**	**–**	**–**	**(4.9)**	**(4.9)**
At 31 December 2021		**23.4**	**226.3**		**(46.6)**	**2.3**	**312.3**	**517.7**

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.

Cash flow statements

for the year ended 31 December

	Notes	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Cash flows from operating activities					
Cash generated from operating activities	30	**74.3**	329.8	**6.6**	189.5
Finance costs paid		**(52.7)**	(54.7)	**(73.2)**	(76.2)
Finance income received		**–**	9.9	**38.4**	35.4
Income tax paid		**(46.4)**	(1.4)	**(0.9)**	(0.3)
Net cash (used in)/generated from operating activities		**(24.8)**	283.6	**(29.1)**	148.4
Cash flows from investing activities					
Purchases of property, plant and equipment	14	**(5.1)**	(3.8)	**(1.5)**	–
Proceeds from sale of property, plant and equipment		**0.2**	0.4	**–**	–
Purchases of intangible assets	12	**(10.3)**	(11.7)	**–**	–
Purchase of shares in subsidiary		**–**	–	**(0.2)**	–
Net cash used in investing activities		**(15.2)**	(15.1)	**(1.7)**	–
Net cash (used in)/generated from operating and investing activities		**(40.0)**	268.5	**(30.8)**	148.4
Cash flows from financing activities					
Proceeds from borrowings		**49.4**	311.3	**38.2**	305.9
Repayment of borrowings		**(62.9)**	(490.0)	**(59.3)**	(389.4)
Principal elements of lease payments		**(9.9)**	(10.9)	**–**	–
Dividends paid to Company shareholders	7	**(4.9)**	–	**(4.9)**	–
Shares acquired by employee and treasury trusts		**(3.9)**	–	**(3.9)**	–
Net cash used in financing activities		**(32.2)**	(189.6)	**(29.9)**	(83.5)
Net (decrease)/increase in cash and cash equivalents		**(72.2)**	78.9	**(60.7)**	64.9
Cash and cash equivalents at beginning of year		**116.3**	37.4	**65.1**	0.2
Exchange losses on cash and cash equivalents		**(2.4)**	–	**–**	–
Cash and cash equivalents at end of year	18	**41.7**	116.3	**4.4**	65.1
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand	18	**41.7**	116.3	**4.4**	65.1

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

Notes to the 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 2.

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 125.

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 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 2021 but do not have any material impact on the Group:

- Impact of the initial application of Interest Rate Benchmark Reform amendments, Phase 2, to IFRS 9, IFRS 7, IFRS4 and IFRS 16;
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).

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 16 'Property, Plant and Equipment – Proceeds before Intended Use';
- 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';
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies';
- Amendments to IAS8 'Definitions of Accounting Estimates'; and
- Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'.

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 160 and 161 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 35.

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 and 2021 due to the impact of Covid-19 on the Group's operations and it's impairment charge, therefore an overlay has been applied to increase certain parameters at both 31 December 2020 and 31 December 2021.

See page 127 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. During the year, the regulations relating to payment of rebates in Poland changed, which is expected to impact the cash flows relating to loans in that market. 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 (2020: £7.7 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.

Recurring post model adjustments on amounts receivable from customers

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. Where we expect the models to show an increase in the expected loss or a slowing of the future cashflows in the following 12 months, we apply an adjustment to the models. At 31 December 2021, this adjustment was a reduction in receivables of £13.6 million (2020: reduction of £7.7 million). This adjustment is included within the Other impairment line in note 17. Where expected loss parameters have shown significant improvements through the pandemic this is due to the tighter credit settings that were put in place as part of the Group's pandemic response. This data is not considered to be representative of the expected future performance and therefore we have excluded it from our periodic update.

Key sources of estimation uncertainty continued

Post model overlays (PMOs) on amounts receivable from customers

2021	CV19 PMO £m	Disposable Income PMO £m	Total PMOs £m
Home credit	15.6	5.3	20.9
IPF Digital	–	1.5	1.5
Group	15.6	6.8	22.4

2020	CV19 PMO £m	Disposable Income PMO £m	Total PMOs £m
Home credit	33.5	–	33.5
IPF Digital	5.2	–	5.2
Group	38.7	–	38.7

Government imposed restrictions on the freedom of movement and debt repayment moratoria introduced in 2020 had a significant adverse impact on 2021 collection cash flows for home credit lending issued before June 2020 (back book portfolio). In 2021, the Hungarian debt repayment moratorium was extended into 2022, further impacting expected collection cash flows. There remains a small but significant proportion of this pre-June 2020 issue within the home credit portfolio and, given the age of these loans, we have prepared post model overlays (PMOs) to our impairment models in order to calculate the continued risks that are not fully reflected in our standard impairment models. Based on management's current expectations, the impact of these PMOs was to increase impairment provisions at 31 December 2021 by £15.6 million, of which £7.8 million relates to the risks associated with the loans impacted by the Hungarian debt moratorium and £7.8 million relates to the remaining home credit lending issued before June 2020. In order to calculate the PMO, we segmented the portfolio by analysis of the most recent payment performance and, using this information, made assumptions around expected credit losses, which resulted in a range of outcomes being calculated from £12.9 million to £18.3 million. £15.6 million was selected as most appropriate. This represents management's current assessment of a reasonable range of outcomes from the actual collections performance on the back book portfolio.

In addition, we have noted the unprecedented high inflation forecasts and the ongoing disruption caused by new Covid 19 variants and have identified a risk associated with reductions in our customers' disposable incomes, which we believe will negatively impact their ability to make repayments. We have performed a full assessment of the impact of reduced disposable income in our customer base and have concluded that it would result in increased risks across our home credit and IPF Digital businesses that are also not reflected in our standard impairment models. We have prepared PMOs and based on management's current expectations, the impact of these PMOs was to increase impairment provisions at 31 December 2021 by a further £6.8 million. In order to calculate this PMO, we have made assumptions around the level of inflation and wage growth in each of our markets. An increase/decrease in inflation by 10ppts would result in an increase/decrease in the PMO of £3.9 million. This represents management's current assessment of a reasonable range in our assumptions.

Polish early settlement rebates

As previously reported, a comprehensive review has been 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 assessed the impact 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 £3.3 million (31 December 2020: £17.6 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 Group holds provisions in respect of claims management charges in Spain following an increase in incidence of these claims in 2020. We reviewed the charges by reference to the claims incidence experience and average cost of resolution in the Spanish business. The provision recorded of £7.1 million, split £5.0 million against receivables and £2.1 million in provisions, (2020: £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 2021 £m	Revenue 2020 £m	Impairment 2021 £m	Impairment 2020 £m	Profit/(loss) before taxation 2021 £m	Profit/(loss) before taxation 2020 £m
European home credit	**284.7**	351.1	**(1.6)**	125.1	**54.5**	(11.7)
Mexico home credit	**146.0**	157.1	**33.8**	53.0	**18.4**	3.5
Digital	**118.0**	153.1	**24.0**	69.5	**8.7**	(7.9)
UK costs*	**–**	–	**–**	–	**(13.9)**	(12.7)
Total – pre-exceptional items	**548.7**	661.3	**56.2**	247.6	**67.7**	(28.8)
Exceptional items	**–**	–	**–**	2.5	**–**	(11.9)
Total	**548.7**	661.3	**56.2**	250.1	**67.7**	(40.7)

* 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 2021 £m	Segment assets 2020 £m	Segment liabilities 2021 £m	Segment liabilities 2020 £m
European home credit	**511.5**	485.1	**305.5**	275.7
Mexico home credit	**192.8**	170.2	**86.9**	76.2
Digital	**211.6**	224.4	**91.3**	138.4
UK	**83.4**	144.2	**148.5**	163.1
Total	**999.3**	1,023.9	**632.2**	653.4

Group	Capital expenditure 2021 £m	Capital expenditure 2020 £m	Depreciation 2021 £m	Depreciation 2020 £m
European home credit	**2.2**	3.0	**4.0**	5.0
Mexico home credit	**1.1**	0.5	**1.1**	1.4
Digital	**0.3**	0.3	**0.5**	0.6
UK	**1.5**	–	**–**	0.2
Total	**5.1**	3.8	**5.6**	7.2

Group	Expenditure on intangible assets 2021 £m	Expenditure on intangible assets 2020 £m	Amortisation 2021 £m	Amortisation 2020 £m
European home credit		–		–
Mexico home credit		–		–
Digital	**3.8**	4.8	**5.6**	15.9
UK	**6.5**	6.9	**9.1**	10.0
Total	**10.3**	11.7	**14.7**	25.9

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 £548.7 million (2020: £661.3 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 £25.4 million (2020: £22.7 million), and the total of non-current assets located in other countries is £209.3 million (2020: £204.7 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	2021 £m	2020 £m
Interest payable on borrowings	**52.6**	55.2
Interest payable on lease liabilities	**1.4**	1.5
Interest income	**–**	(9.9)
Finance costs	**54.0**	46.8

In 2020, interest income was received in respect of the successful appeal against the 2008 and 2009 tax decisions £8.2 million of this income, which relates to the period from January 2017 to December 2019 was treated as an exceptional item (see note 10 for further details).

3. Profit/(loss) before taxation

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

Group	2021 £m	2020 £m
Depreciation of property, plant and equipment (note 14)	**5.6**	7.2
Depreciation of right-of-use assets (note 15)	**8.4**	9.9
Impairment of right-of use assets (note 15)	**–**	0.5
Loss on disposal of property, plant and equipment	**0.4**	0.2
Amortisation of intangible assets (note 12)	**14.7**	25.9
Employee costs (note 9)	**156.9**	171.8

In 2020, £8.1 million of amortisation of intangible assets was accelerated amortisation relating to the decision to close our business in Finland, this was 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	2021 £m	2020 £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**	0.9
– other assurance services	**0.1**	0.1

Further details on auditor remuneration can be found in the Audit and Risk Committee Report on page 86.

5. Tax expense

Group	2021 £m	2020 £m
Current tax expense	**25.7**	20.0
Deferred tax expense/(income) (note 16)		
– current year	**1.9**	4.9
– prior year	**(1.8)**	(0.4)
	0.1	4.5
Pre-exceptional tax expense	**25.8**	24.5
Exceptional tax credit	**–**	(1.0)
Total tax expense	**25.8**	23.5

Further information regarding the deferred tax expense/(income) 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 profit for 2021 is £25.8 million representing an effective tax rate for the year of 38.1% (2020: an effective tax rate of negative 58%).

In 2020, tax paid in the cash flow statement is net of £35.1 million repaid by the Polish tax authorities in respect of the successful appeal against the 2008 and 2009 Tax decisions.

5. Tax expense continued

Group	2021 £m	2020 £m
Tax (charge)/credit on other comprehensive income		
Deferred tax charge on net fair value gains – cash flow hedges	**(0.7)**	(0.3)
Deferred tax credit on actuarial gains on retirement benefit asset	**0.1**	0.3
	(0.6)	–

The rate of tax expense on the profit before taxation for the year ended 31 December 2021 is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are explained as follows:

Group	2021 £m	2020 £m
Profit/(loss) before taxation	**67.7**	(28.8)
Profit/(loss) before taxation multiplied by the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	**12.9**	(5.5)
Effects of:		
– adjustment in respect of prior years	**(3.4)**	(0.7)
– adjustment in respect of foreign tax rates	**5.7**	6.8
– non-deductible bad debt expense	**5.2**	13.0
– other expenses not deductible for tax purposes	**(1.3)**	(1.9)
– change in unrecognised deferred tax assets	**5.9**	12.2
– impact of UK rate change on deferred tax asset / liability	**0.8**	0.6
Pre-exceptional tax expense	**25.8**	24.5
Exceptional tax credit	**–**	(1.0)
Total tax expense	**25.8**	23.5

The Group is subject to a tax audit in Mexico (regarding 2017).

6. Earnings/(loss) per share

Basic earnings/(loss) per share ('E/(L)PS') is calculated by dividing the profit attributable to shareholders of £41.9 million (2020: loss of £64.2 million) by the weighted average number of shares in issue during the period of 223.2 million (2020: 222.4 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	2021 £m	2020 £m
Used in basic E/(L)PS calculation	**223.2**	222.4
Dilutive effect of awards	**12.1**	11.7
Used in diluted E/(L)PS calculation	**235.3**	234.1

Basic and diluted EPS are presented below:

Group	2021 pence	2020 pence
Basic E/(L)PS	**18.8**	(28.9)
Dilutive effect of awards	**(1.0)**	1.5
Diluted E/(L)PS	**17.8**	(27.4)

7. Dividends

Group and Company	2021 £m	2020 £m
Interim dividend of 2.2 pence per share (2020: interim dividend of nil pence per share)	**4.9**	–
Final 2020 dividend of nil pence per share (2020: final 2019 dividend of nil pence per share)	**–**	–
	4.9	–

The Board has considered the strong trading performance of the Group delivered in 2021, the medium-term outlook and the strength of the balance sheet, and is pleased to declare a final dividend of 5.8 pence per share, bringing the full-year dividend to 8.0 pence per share (2020: full-year dividend nil pence per share). Subject to shareholder approval, the final dividend will be paid on 6 May 2022 to shareholders on the register at the close of business on 8 April 2022. The shares will be marked ex-dividend on 7 April 2022.

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 Leadership Team.

	2021 £m	2020 £m
Short-term employee benefits	**3.8**	3.9
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.1**	0.2
Total	**4.0**	4.2

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 103.

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	2021 Number	2020 Number
Full-time*	**5,842**	6,482
Part-time**	**1,465**	1,647
	7,307	8,129

* Includes 770 agents in Hungary and Romania (2020: includes 712 agents in Hungary and Romania).

** Includes 1,285 agents in Hungary and Romania (2020: includes 1,385 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	2021 Number	2020 Number
Operations	**4,330**	4,749
Administration	**441**	591
Head office and loss prevention	**2,536**	2,789
	7,307	8,129

Group employment costs for all employees (including executive directors) were as follows:

Group	2021 £m	2020 £m
Gross wages and salaries	**137.4**	148.4
Social security costs	**19.1**	22.1
Pension charge – defined contribution schemes (note 27)	**0.7**	0.8
Pension credit – defined benefit schemes (note 27)	**(0.1)**	(0.5)
Share-based payment charge (note 28)	**(0.2)**	1.1
Total	**156.9**	171.8

10. Exceptional items

In 2020, the income statement included a net exceptional loss of £10.9 million which comprised 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 comprised 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 expected to be realised. The pre-tax loss comprised 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 was an associated tax credit of £2.1 million relating to this item. In addition, the profit and loss account included 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.

11. Goodwill

Group	2021 £m	2020 £m
Net book value		
At 1 January	**24.4**	23.1
Exchange adjustments	**(1.5)**	1.3
At 31 December	**22.9**	24.4

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% (2020: 10%). The discount rate would need to increase to 17% before indicating that part of the goodwill may be impaired.

12. Intangible assets

Group	2021 £m	2020 £m
Net book value		
At 1 January	**30.2**	43.2
Additions	**10.3**	11.7
Amortisation	**(14.7)**	(25.9)
Exchange adjustments	**(0.6)**	1.2
At 31 December	**25.2**	30.2
Analysed as:		
– cost	**126.2**	117.4
– amortisation	**(101.0)**	(87.2)
At 31 December	**25.2**	30.2

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.

In 2020, £8.1 million of amortisation of intangible assets was accelerated amortisation relating to the decision to close our business in Finland, this was treated as an exceptional item (see note 10 for further details).

The Company has no intangible assets.

13. Investment in subsidiaries

Company	2021 £m	2020 £m
Investment in subsidiaries	**712.5**	712.3
Share-based payment adjustment	**18.9**	18.9
	731.4	731.2

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, further investment of £25.7m has been made in these acquired businesses.

£18.9 million (2020: £18.9 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. Corresponding credits are 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. The rate used to discount the forecast cash flows is 10% (2020: 10%). 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
Avalist Credit Secure, S.L.	Spain	Provision of services
Compañía Estelar Poniente, S.A. de C.V.	Mexico	Provision of services (agents)
División Estratégica Central, S.A. de C.V.	Mexico	Holding Company
Estrategias Divisionales Céntricas, S.A. de C.V.	Mexico	Provision of services (agents)
Estrategias Sureñas de Avanzada, S.A. de C.V.	Mexico	Provision of services (agents)
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	Digital credit/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
La Regional Operaciones Centrales, S.A. de C.V.	Mexico	Holding Company
La Tapatía Operaciones de Avanzada, S.A. de C.V.	Mexico	Provision of services (agents)
Metropolitana Estrella de Operaciones, S.A. de C.V.	Mexico	Provision of services (agents)
Operadora Regiomontana de Estrategias Integrales, S.A. de C.V.	Mexico	Provision of services (agents)
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

13. Investment in subsidiaries continued

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. All subsidiaries are tax resident in their country of incorporation except for International Credit Insurance Limited which is tax resident in the UK.

14. Property, plant and equipment

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

Group	**Computer equipment £m**	**Fixtures and fittings £m**	**Motor vehicles £m**	**Total £m**
Cost				
At 1 January 2021	**81.0**	**23.8**	**1.7**	**106.5**
Exchange adjustments	**(1.9)**	**(0.9)**	**(0.1)**	**(2.9)**
Additions	**3.0**	**2.1**	**–**	**5.1**
Disposals	**(2.8)**	**(2.1)**	**(1.1)**	**(6.0)**
At 31 December 2021	**79.3**	**22.9**	**0.5**	**102.7**
Depreciation				
At 1 January 2021	**(70.7)**	**(19.3)**	**(1.1)**	**(91.1)**
Exchange adjustments	**1.5**	**0.8**	**0.1**	**2.4**
Charge to the income statement	**(3.8)**	**(1.7)**	**(0.1)**	**(5.6)**
Disposals	**2.6**	**2.0**	**0.8**	**5.4**
At 31 December 2021	**(70.4)**	**(18.2)**	**(0.3)**	**(88.9)**
Net book value at 31 December 2021	**8.9**	**4.7**	**0.2**	**13.8**

The Company has property, plant and equipment with a cost of £2.4 million (2020: £1.0 million); depreciation of £1.0 million (2020: £1.0 million); and a net book value of £1.4 million (2020: £nil). All of these assets are computer equipment and Head Office fixtures and fittings.

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 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

	Motor vehicles £m	**Properties £m**	**Equipment £m**	**Group £m**
Net book value at 1 January 2021	**6.9**	**10.5**	**0.1**	**17.5**
Exchange adjustments	**(0.4)**	**(0.3)**	**–**	**(0.7)**
Additions	**2.4**	**5.9**	**–**	**8.3**
Modifications	**0.4**	**0.6**	**–**	**1.0**
Depreciation	**(3.6)**	**(4.8)**	**–**	**(8.4)**
Net book value at 31 December 2021	**5.7**	**11.9**	**0.1**	**17.7**

The amounts recognised in profit and loss are as follows:

Group	**2021 £m**	2020 £m
Depreciation on right-of-use assets	**8.4**	9.9
Interest expense on lease liabilities	**1.4**	1.5
Expense relating to short term leases	**1.2**	1.6
Expense relating to leases of low value assets	**–**	0.1
	11.0	13.1

The movement in the lease liability in the period is as follows:

	2021 £m	2020 £m
Lease liability at 1 January	**19.2**	19.5
Exchange adjustments	**(0.8)**	(0.5)
Additions	**8.8**	9.6
Interest	**1.4**	1.5
Lease payments	**(9.9)**	(10.9)
Lease liability at 31 December	**18.7**	19.2
Current liabilities	**6.4**	7.4
Non-current liabilities:		
– between one and five years	**10.6**	11.1
– greater than five years	**1.7**	0.7
	12.3	11.8
Lease liability at 31 December	**18.7**	19.2

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 2021 was 7.2% (2020: 7.4%).

The total cash outflow in the year in respect of lease contracts was £10.3 million (2020: £11.4 million).

The Company has one lease as at 31 December 2021 (2020: £nil) in respect of the new UK head office premises, with a lease liability of £2.8 million.

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	
	2021 £m	2020 £m	**2021 £m**	2020 £m
At 1 January	**121.9**	131.7	**(0.2)**	0.6
Exchange adjustments	**(4.4)**	(3.9)	**–**	–
Tax charge to the income statement	**(0.1)**	(5.9)	**(0.6)**	(1.2)
Tax (charge)/credit on other comprehensive income	**(0.6)**	–	**0.1**	0.4
At 31 December	**116.8**	121.9	**(0.7)**	(0.2)

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. The UK corporation tax rate was 19% throughout 2021. However, the Finance Act 2021, which was substantively enacted on 24 May 2021, included an amending provision to increase the UK corporation tax rate to 25% with effect from 1 April 2023. Accordingly, 19% and/or 25% has been used in the calculation of UK deferred tax assets and liabilities at 31 December 2021.

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	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Deferred tax assets	**124.7**	135.7	**0.5**	–
Deferred tax liabilities	**(7.9)**	(13.8)	**(1.2)**	(0.2)
At 31 December	**116.8**	121.9	**(0.7)**	(0.2)

	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 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)
At 1 January 2021	**25.8**	**95.3**	**0.8**	**121.9**	**(0.7)**	**0.5**	**(0.2)**
Exchange adjustments	**(0.5)**	**(4.0)**	**0.1**	**(4.4)**	**–**	**–**	**–**
Tax credit/(charge) to the income statement	**18.1**	**(15.4)**	**(2.8)**	**(0.1)**	**(0.6)**	**–**	**(0.6)**
Tax (charge)/credit on items taken directly to equity	**–**	**–**	**(0.6)**	**(0.6)**	**0.1**	**–**	**0.1**
At 31 December 2021	**43.4**	**75.9**	**(2.5)**	**116.8**	**(1.2)**	**0.5**	**(0.7)**

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. The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

At 31 December 2021, the Group has unused tax losses of £218.2 million (2020: £139.2 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £149.7 million (2020: £85.8 million) of these losses where profit projections indicate the existence of sufficient taxable profits to support the recognition of the asset. The recognition for 2021 was based on the forecast profits contained in the Group's five year business plan approved by the board in December 2021. See information on Going Concern on page 35 for more details regarding the business plan. For deferred tax asset recognition purposes, no profit growth is projected for periods after 2026. No deferred tax has been recognised in respect of the remaining £68.5 million (2020: £53.4 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.

16. Deferred tax continued

Dividends received from overseas subsidiaries are largely exempt from UK tax but may be subject to dividend withholding taxes levied by certain overseas tax jurisdictions in which the Group's subsidiaries operate (currently the Czech Republic and Romania). The gross temporary differences of those subsidiaries affected by such potential withholding taxes is circa £26 million (2020: £15.4 million). A deferred tax liability of circa £0.4 million (2020: nil) has been recognised on the unremitted earnings of those subsidiaries affected by such potential withholding taxes only to the extent that the Group is anticipating dividends to be distributed by those subsidiaries in the foreseeable future. No deferred tax liability is recognised on remaining temporary differences of circa £19 million (2020: £15.4 million) 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	**2021 £m**	2020 £m
Amounts receivable from customers comprise:		
– amounts due within one year	**566.6**	532.6
– amounts due in more than one year	**150.2**	136.5
	716.8	669.1

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	**2021 £m**	2020 £m
Polish zloty	**247.6**	225.3
Czech crown	**48.7**	50.9
Euro	**87.8**	117.0
Hungarian forint	**101.7**	89.9
Mexican peso	**133.3**	100.8
Romanian leu	**69.8**	62.1
Australian dollar	**27.9**	23.1
	716.8	669.1

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:

	2021				2020			
	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	**360.3**	**57.9**	**125.3**	**543.5**	288.7	51.0	142.6	482.3
IPF Digital	**159.8**	**8.6**	**4.9**	**173.3**	177.8	7.1	1.9	186.8
Group	**520.1**	**66.5**	**130.2**	**716.8**	466.5	58.1	144.5	669.1

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.

	2021				2020			
	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	**649.7**	**124.1**	**379.0**	**1,152.8**	601.3	125.1	456.1	1,182.5
Loss allowance	**(129.6)**	**(57.6)**	**(248.8)**	**(436.0)**	(134.8)	(67.0)	(311.6)	(513.4)
Net receivables	**520.1**	**66.5**	**130.2**	**716.8**	466.5	58.1	144.5	669.1

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:

	2021				2020			
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	**385.2**	**101.9**	**403.0**	**890.1**	522.8	152.3	426.7	1,101.8
Credit issued	**793.4**	**–**	**–**	**793.4**	597.3	–	–	597.3
Transfers between stages:	**(201.5)**	**69.7**	**131.8**	**–**	(275.3)	15.9	259.4	–
From stage 1	**(220.3)**	**102.7**	**117.6**	**–**	(293.2)	84.5	208.7	–
From stage 2	**5.3**	**(34.0)**	**28.7**	**–**	7.3	(69.3)	62.0	–
From stage 3	**13.5**	**1.0**	**(14.5)**	**–**	10.6	0.7	(11.3)	–
Revenue	**269.3**	**52.8**	**108.6**	**430.7**	264.6	52.4	191.2	508.2
Recoveries	**(765.8)**	**(97.6)**	**(366.4)**	**(1,229.8)**	(726.8)	(120.1)	(472.2)	(1,319.1)
Other movements	**(23.4)**	**(18.9)**	**65.6**	**23.3**	2.6	1.4	(2.1)	1.9
Closing gross carrying amount at 31 December	**457.2**	**107.9**	**342.6**	**907.7**	385.2	101.9	403.0	890.1

	2021				2020			
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	**(96.5)**	**(50.9)**	**(260.4)**	**(407.8)**	(99.4)	(67.9)	(240.2)	(407.5)
Loss allowance on credit issued	**(90.7)**	**–**	**–**	**(90.7)**	(68.4)	–	–	(68.4)
Transfers between stages:	**39.1**	**(20.5)**	**(18.6)**	**–**	48.5	13.3	(61.8)	–
From stage 1	**48.9**	**(32.9)**	**(16.0)**	**–**	57.0	(21.0)	(36.0)	–
From stage 2	**(1.7)**	**12.8**	**(11.1)**	**–**	(2.4)	34.6	(32.2)	–
From stage 3	**(8.1)**	**(0.4)**	**8.5**	**–**	(6.1)	(0.3)	6.4	–
Change in risk parameters	**1.9**	**(0.1)**	**–**	**1.8**	2.1	0.0	0.1	2.2
Covid-19 PMO	**(3.3)**	**(0.6)**	**(17.0)**	**(20.9)**	(20.4)	(3.6)	(9.5)	(33.5)
Other impairment	**37.4**	**4.7**	**35.5**	**77.6**	(37.2)	(29.4)	(7.7)	(74.3)
Total impairment	**(15.6)**	**(16.5)**	**(0.1)**	**(32.2)**	(75.4)	(19.7)	(78.9)	(174.0)
Recoveries	**5.8**	**7.8**	**62.6**	**76.2**	65.6	43.0	54.2	162.8
Other movements	**9.4**	**9.6**	**(19.4)**	**(0.4)**	12.7	(6.3)	4.5	10.9
Closing loss allowance at 31 December	**(96.9)**	**(50.0)**	**(217.3)**	**(364.2)**	(96.5)	(50.9)	(260.4)	(407.8)

	2021				2020			
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	**288.7**	**51.0**	**142.6**	**482.3**	423.4	84.4	186.5	694.3
Credit issued	**793.4**	**–**	**–**	**793.4**	597.3	–	–	597.3
Transfers between stages:	**(201.5)**	**69.7**	**131.8**	**–**	(275.3)	15.9	259.4	–
From stage 1	**(220.3)**	**102.7**	**117.6**	**–**	(293.2)	84.5	208.7	–
From stage 2	**5.3**	**(34.0)**	**28.7**	**–**	7.3	(69.3)	62.0	–
From stage 3	**13.5**	**1.0**	**(14.5)**	**–**	10.6	0.7	(11.3)	–
Revenue	**269.3**	**52.8**	**108.6**	**430.7**	264.6	52.4	191.2	508.2
Impairment	**(15.6)**	**(16.5)**	**(0.1)**	**(32.2)**	(75.4)	(19.7)	(78.9)	(174.0)
Recoveries	**(760.0)**	**(89.8)**	**(303.8)**	**(1,153.6)**	(661.2)	(77.1)	(418.0)	(1,156.3)
Other movements	**(14.0)**	**(9.3)**	**46.2**	**22.9**	15.3	(4.9)	2.4	12.8
Closing net receivables at 31 December	**360.3**	**57.9**	**125.3**	**543.5**	288.7	51.0	142.6	482.3

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:

	2021				2020			
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	216.1	23.2	53.1	292.4	292.8	36.6	33.2	362.2
Credit issued	188.7	–	–	188.7	174.9	–	–	174.9
Transfers between stages:	(33.3)	(4.6)	37.9	–	(64.5)	(21.8)	86.3	–
From stage 1	(82.3)	78.6	3.7	–	(142.8)	140.8	2.0	–
From stage 2	46.2	(84.6)	38.4	–	76.1	(164.7)	88.6	–
From stage 3	2.8	1.4	(4.2)	–	2.2	2.1	(4.3)	–
Revenue	105.7	8.3	4.0	118.0	126.3	14.8	12.0	153.1
Recoveries	(267.6)	(9.0)	(58.5)	(335.1)	(324.5)	(6.5)	(74.9)	(405.9)
Other movements	(17.1)	(1.7)	(0.1)	(18.9)	11.1	0.1	(3.5)	7.7
Closing gross carrying amount at 31 December	192.5	16.2	36.4	245.1	216.1	23.2	53.1	292.4

	2021				2020			
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	(38.3)	(16.1)	(51.2)	(105.6)	(34.9)	(16.5)	(31.9)	(83.3)
Loss allowance on credit issued	(24.7)	–	–	(24.7)	(16.1)	–	–	(16.1)
Transfers between stages:	(8.3)	30.2	(21.9)	–	(9.4)	60.2	(50.8)	–
From stage 1	11.7	(11.3)	(0.4)	–	20.1	(19.9)	(0.2)	–
From stage 2	(17.9)	42.4	(24.5)	–	(27.9)	81.4	(53.5)	–
From stage 3	(2.1)	(0.9)	3.0		(1.6)	(1.3)	2.9	–
Change in risk parameters	2.9	1.6	0.1	4.6	(4.3)	(1.9)	(0.6)	(6.8)
Covid-19 PMO	(1.2)	(0.1)	(0.2)	(1.5)	(2.4)	(1.6)	(1.2)	(5.2)
Other impairment	20.8	(39.2)	16.0	(2.4)	24.9	(57.6)	(15.3)	(48.0)
Total post-exceptional impairment	(10.5)	(7.5)	(6.0)	(24.0)	(7.3)	(0.9)	(67.9)	(76.1)
Recoveries	–	–	40.0	40.0	–	–	52.6	52.6
Other movements	16.1	16.0	(14.3)	17.8	3.9	1.3	(4.0)	1.2
Closing loss allowance at 31 December	(32.7)	(7.6)	(31.5)	(71.8)	(38.3)	(16.1)	(51.2)	(105.6)

	2021				2020			
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	177.8	7.1	1.9	186.8	257.9	20.1	1.3	279.3
Credit issued	188.7	–	–	188.7	174.9	–	–	174.9
Transfers between stages:	(33.3)	(4.6)	37.9	–	(64.5)	(21.8)	86.3	–
From stage 1	(82.3)	78.6	3.7	–	(142.8)	140.8	2.0	–
From stage 2	46.2	(84.6)	38.4	–	76.1	(164.7)	88.6	–
From stage 3	2.8	1.4	(4.2)	–	2.2	2.1	(4.3)	–
Revenue	105.7	8.3	4.0	118.0	126.3	14.8	12.0	153.1
Post-exceptional impairment	(10.5)	(7.5)	(6.0)	(24.0)	(7.3)	(0.9)	(67.9)	(76.1)
Recoveries	(267.6)	(9.0)	(18.5)	(295.1)	(324.5)	(6.5)	(22.3)	(353.3)
Other movements	(1.0)	14.3	(14.4)	(1.1)	15.0	1.4	(7.5)	8.9
Closing net receivables at 31 December	159.8	8.6	4.9	173.3	177.8	7.1	1.9	186.8

17. Amounts receivable from customers continued

Impairment as a percentage of revenue for each geographical segment is shown below:

Group	2021 %	2020 %
European home credit	**(0.6)**	35.6
Mexico home credit	**23.2**	33.7
Digital	**20.3**	45.4

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2020: £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 93% (2020: 96%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 12.3 months (2020: 11.1 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 (2020: £nil).

18. Cash and cash equivalents

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Cash at bank and in hand	**41.7**	116.3	**4.4**	65.1

The currency profile of cash and cash equivalents is as follows:

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
GBP Sterling	**3.9**	56.8	**4.0**	56.8
Polish zloty	**11.4**	14.5	**–**	–
Czech crown	**2.9**	3.6	**–**	–
Euro	**9.9**	32.3	**0.4**	8.3
Hungarian forint	**1.7**	1.1	**–**	–
Mexican peso	**8.1**	5.0	**–**	–
Romanian leu	**2.7**	2.4	**–**	–
Australian dollar	**1.1**	0.6	**–**	–
Total	**41.7**	116.3	**4.4**	65.1

19. Other receivables

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Other receivables	**6.8**	2.1	**–**	0.1
Prepayments	**7.2**	7.8	**0.1**	0.2
Amounts due from Group undertakings	**–**	–	**555.4**	581.6
Total	**14.0**	9.9	**555.5**	581.9

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		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Trade payables	**10.8**	7.7	**–**	0.1
Other payables including taxation and social security	**44.0**	41.5	**0.3**	0.1
Accruals	**58.0**	39.9	**11.9**	8.2
Amounts due to Group undertakings	**–**	–	**371.2**	382.9
Total	**112.8**	89.1	**383.4**	391.3

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		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Borrowings				
Bank borrowings	**75.8**	76.1	**–**	–
Bonds	**395.8**	415.9	**395.8**	415.9
Total	**471.6**	492.0	**395.8**	415.9

The Group's external bonds comprise the following:

Bond	Coupon %	Maturity date	**2021 £m**
€341.2 million	9.750	2025	**287.2**
Swedish krona 450.0 million	Three-month STIBOR plus 700 basis points	2024	**36.9**
£78.1 million	7.750	2023	**78.1**
			402.2
Less: unamortised arrangement fees and issue discount			**(6.4)**
			395.8

The Swedish Krona 450 million (£36.9 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		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Borrowings				
Repayable:				
– in less than one year	**3.1**	0.2	**–**	–
– between one and two years	**87.4**	74.3	**77.2**	40.1
– between two and five years	**381.1**	417.5	**318.6**	375.8
Total	**471.6**	492.0	**395.8**	415.9

The average period to maturity of the Group's external bonds and committed external borrowing facilities is 2.9 years (2020: 3.3 years).

21. Borrowing facilities and borrowings continued

The currency exposure on external borrowings is as follows:

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Sterling	**77.2**	76.8	**77.2**	76.8
Polish zloty	**0.8**	–	**–**	–
Czech crown	**–**	5.5	**–**	–
Euro	**281.7**	299.0	**281.7**	299.0
Hungarian forint	**71.6**	69.4	**–**	–
Romanian leu	**3.4**	1.2	**–**	–
Swedish krona	**36.9**	40.1	**36.9**	40.1
Total	**471.6**	492.0	**395.8**	415.9

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

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Bond and bank facilities available				
Repayable:				
– on demand	**28.8**	40.1	**9.7**	9.8
– in less than one year	**29.1**	45.7	**5.5**	5.0
– between one and two years	**124.1**	104.4	**90.3**	70.2
– between two and five years	**392.8**	433.8	**324.1**	383.2
Total	**574.8**	624.0	**429.6**	468.2

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

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Expiring within one year	**54.8**	85.6	**15.2**	14.8
Expiring between one and two years	**35.8**	30.1	**12.2**	30.1
Expiring in more than two years	**6.2**	8.9	**–**	–
Total	**96.8**	124.6	**27.4**	44.9

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 2021, the Group's bonds and committed borrowing facilities had an average period to maturity of 2.9 years (2020: 3.3 years).

As shown in note 21, total undrawn facilities as at 31 December 2021 were £96.8 million (2020: £124.6 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	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Not later than six months	**20.1**	25.6	**240.6**	322.6
Later than six months and not later than one year	**23.7**	21.3	**33.6**	34.8
Later than one year and not later than two years	**125.2**	116.8	**247.6**	77.3
Later than two years and not later than five years	**446.7**	510.8	**377.9**	538.0
	615.7	674.5	**899.7**	972.7

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 £371.2 million (2020: £382.9 million).

The following analysis shows the gross non-discounted contractual cash flows in respect of foreign currency contract derivative assets and liabilities which are all designated as cash flow hedges:

	2021		2020	
Group	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**189.2**	**185.7**	270.4	265.6
Later than one month and not later than six months	**182.0**	**174.9**	159.9	156.5
Later than six months and not later than one year	**17.1**	**16.7**	16.9	16.8
	388.3	**377.3**	447.2	438.9

	2021		2020	
Company	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**4.3**	**4.2**	31.7	31.4
Later than one month and not later than six months	**0.6**	**0.6**	0.7	0.7
Later than six months and not later than one year	**0.4**	**0.4**	0.4	0.4
	5.3	**5.2**	32.8	32.5

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 %
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
2021				
Less than one year	**566.6**	**79.0**	**57.9**	**10.1**
Later than one year	**150.2**	**21.0**	**516.9**	**89.9**
	716.8	**100.0**	**574.8**	**100.0**

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

Amounts receivable from customers

Risk management policies in respect of amounts receivable from customers are discussed in the credit risk section within this note, 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 (9.8% in 2021; 8.3% in 2020) 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	**2021 £m**	2020 £m
Reduction in profit before taxation	**0.4**	0.5

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 2021 is a reduction in net assets of £37.6 million (2020: reduction of £4.1 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	2021 £m	2020 £m
Change in reserves	4.4	0.1
Change in profit/(loss) before taxation	7.0	0.5

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	2021 £m	2020 £m
Cash and cash equivalents	41.7	116.3
Derivative financial assets	0.7	0.5
Total	**42.4**	116.8

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	2021 £m	2020 £m
Amounts receivable from customers	716.8	669.1

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	2021 £m	2020 £m
Receivables	**716.8**	669.1
Borrowings	**(471.6)**	(492.0)
Other net assets	**121.9**	193.4
Equity	**367.1**	370.5
Equity as % of receivables	**51.2%**	55.4%
Gearing	**1.3**	1.3

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	2021 £m	2020 £m
Assets		
Foreign currency contracts	**0.7**	0.5
Total	**0.7**	0.5

Group	2021 £m	2020 £m
Liabilities		
Foreign currency contracts	**7.6**	6.7
Total	**7.6**	6.7

Company	2021 £m	2020 £m
Assets		
Foreign currency contracts	**–**	0.1
Total	**–**	0.1

Company	2021 £m	2020 £m
Liabilities		
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 £1.4 million has been credited to equity for the Group in the period in respect of cash flow hedges (2020: £1.3 million credited to equity), Company: £nil (2020: £nil).

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 2020			
Foreign currency contracts	447.2	–	447.2
Cash flow hedges	447.2	–	447.2
As at 31 December 2021			
Foreign currency contracts	**388.3**	**–**	**388.3**
Cash flow hedges	**388.3**	**–**	**388.3**

Company	Repayable up to one year £m	In more than one year but less than two years £m	Total £m
As at 31 December 2020			
Foreign currency contracts	32.8	–	32.8
Cash flow hedges	32.8	–	32.8
As at 31 December 2021			
Foreign currency contracts	**5.3**	**–**	**5.3**
Cash flow hedges	**5.3**	**–**	**5.3**

The Group and the company had held no interest rate swaps at 31 December 2021 (31 December 2020: nil).

24. Analysis of financial assets and financial liabilities

Financial assets

An analysis of Group financial assets is presented below:

Group	2021 Financial assets at amortised cost £m	2021 Derivatives used for hedging £m	2021 Total £m	2020 Financial assets at amortised cost £m	2020 Derivatives used for hedging £m	2020 Total £m
Amounts receivable from customers	716.8	–	716.8	669.1	–	669.1
Derivative financial instruments	–	0.7	0.7	–	0.5	0.5
Cash and cash equivalents	41.7	–	41.7	116.3	–	116.3
Other receivables	14.0	–	14.0	9.9	–	9.9
	772.5	0.7	773.2	795.3	0.5	795.8

Financial liabilities

An analysis of Group financial liabilities is presented below:

Group	2021 Financial liabilities at amortised cost £m	2021 Derivatives used for hedging £m	2021 Total £m	2020 Financial liabilities at amortised cost £m	2020 Derivatives used for hedging £m	2020 Total £m
Bonds	395.8	–	395.8	415.9	–	415.9
Bank borrowings	75.8	–	75.8	76.1	–	76.1
Derivative financial instruments	–	7.6	7.6	–	6.7	6.7
Trade and other payables	112.8	–	112.8	89.1	–	89.1
Provision for liabilities and charges	5.4	–	5.4	19.2	–	19.2
	589.8	7.6	597.4	600.3	6.7	607.0

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 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

At 31 December 2021	**Carrying value £m**	**Fair values Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total fair value £m**
Financial assets					
Amounts receivable from customers	**716.8**	**–**	**–**	**938.4**	**938.4**
Derivative financial instruments	**0.7**	**–**	**0.7**	**–**	**0.7**
Cash and cash equivalents	**41.7**	**41.7**	**–**	**–**	**41.7**
Other receivables	**14.0**	**–**	**–**	**14.0**	**14.0**
	773.2	**41.7**	**0.7**	**952.4**	**994.8**
Financial liabilities					
Bonds	**395.8**	**419.9**	**–**	**–**	**419.9**
Bank borrowings	**75.8**	**75.8**	**–**	**–**	**75.8**
Derivative financial instruments	**7.6**	**–**	**7.6**	**–**	**7.6**
Trade and other payables	**112.8**	**–**	**–**	**112.8**	**112.8**
Provision for liabilities and charges	**5.4**	**–**	**–**	**5.4**	**5.4**
	597.4	**495.7**	**7.6**	**118.2**	**621.5**

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 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

At 31 December 2021	**Carrying value £m**	**Fair values Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total fair value £m**
Financial assets					
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**4.4**	**4.4**	**–**	**–**	**4.4**
Other receivables	**555.5**	**–**	**–**	**555.5**	**555.5**
	559.9	**4.4**	**–**	**555.5**	**559.9**
Financial liabilities					
Bonds	**395.8**	**419.9**	**–**	**–**	**419.9**
Trade and other payables	**383.4**	**–**	**–**	**383.4**	**383.4**
	779.2	**419.9**	**–**	**383.4**	**803.3**

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% (2020: 10%) 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 £5.4 million represent the Group's best estimate of the costs that are expected to be incurred in relation to early settlement rebates in Poland (2021: £3.3 million; 2020: £17.6 million) and claims management charges incurred in Spain (2021: £2.1 million; 2020: £1.6 million). All claims are expected to be settled within 12 months of the balance sheet date. Further details are included on pages 128 and 129.

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 2021. The major assumptions used by the actuary were:

Group and Company	**2021** **%**	2020 %
Price inflation ('CPI')	**2.7**	2.2
Rate of increase to pensions in payment	**3.3**	2.7
Discount rate	**1.8**	1.5

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 £1.9 million.

If the discount rate was 25 basis points higher/(lower), the defined benefit asset would increase by £2.2 million/(decrease by £2.4 million).

If the price inflation rate was 25 basis points higher/(lower), the defined benefit asset would decrease by £1.4 million/(increase by £1.3 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	**2021** **£m**	2020 £m
Diversified growth funds	**7.9**	8.4
Corporate bonds	**20.2**	20.4
Liability driven investments	**23.1**	23.0
Other	**0.1**	0.4
Total fair value of scheme assets	**51.3**	52.2
Present value of funded defined benefit obligations	**(46.4)**	(48.8)
Net asset recognised in the balance sheet	**4.9**	3.4

The amounts recognised in the income statement are as follows:

Group and Company	**2021** **£m**	2020 £m
Interest cost	**0.7**	0.8
Past service gain	**–**	(0.4)
Expected return on scheme assets	**(0.8)**	(0.9)
Net credit recognised in the income statement	**(0.1)**	(0.5)

The net credit is included within administrative expenses and in 2020 included a past service credit of £0.4 million due to a Pension Increase Exchange exercise that took place in that year.

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

Group and Company	**2021** **£m**	2020 £m
Fair value of scheme assets at 1 January	**52.2**	45.8
Expected return on scheme assets	**0.8**	0.9
Actuarial gain on scheme assets	**(1.6)**	6.7
Contributions by the Group	**0.9**	0.9
Net benefits paid out	**(1.0)**	(2.1)
Fair value of scheme assets at 31 December	**51.3**	52.2

The Group expects to make a contribution of £0.9 million (2020: £0.9 million) to the deferred benefit pension scheme in the year ending 31 December 2022. 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	2021 £m	2020 £m
Defined benefit obligation at 1 January	(48.8)	(42.4)
Interest cost	(0.7)	(0.8)
Actuarial gain/(loss) on scheme liabilities	2.1	(8.1)
Past service gain	–	0.4
Net benefits paid out	1.0	2.1
Defined benefit obligation at 31 December	**(46.4)**	(48.8)

The weighted average duration of the defined benefit asset is 21 years (2020: 24 years).

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

Group and Company	2021 £m	2020 £m
Expected return on scheme assets	0.8	0.9
Actuarial (loss)/gain on scheme assets	(1.6)	6.7
Actual (loss)/return on scheme assets	**(0.8)**	7.6

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	2021 £m	2020 £m
Actuarial (loss)/gain on scheme assets	(1.6)	6.7
Actuarial gain/(loss) on scheme liabilities	2.1	(8.1)
Total gain/(loss) recognised in the SOCI in the year	0.5	(1.4)
Cumulative amount of losses recognised in the SOCI	**(16.7)**	(17.2)

The history of experience adjustments are as follows:

Group and Company	2021	2020	2019*	2018*	2017*
Actuarial (losses)/gains on scheme assets:					
– amount (£m)	(1.6)	6.7	4.4	(2.2)	3.9
– percentage of scheme assets (%)	(3.1)	12.8	9.6	(5.3)	9.2
Experience gains on scheme liabilities:					
– amount (£m)	1.7	–	–	–	2.9
– percentage of scheme liabilities (%)	3.7	–	–	–	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 £0.7 million for the year ended 31 December 2021 (2020: £0.8 million). £nil contributions were payable to the scheme at the year end (2020: £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 DSP in 2021.

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 credit in respect of these share-based payments is £0.2 million (2020: charge of £1.1 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	SAYE Scheme	Performance Share Plan*	Discretionary Award Plan
Grant date	24/8/21	23/3/21	29/4/21
Share price at award date	1.47	1.04	1.29
Base price for TSR	n/a	0.80	n/a
Exercise price	1.11	Nil	n/a
Vesting period (years)	3 and 5	3	3
Expected volatility	63.6% - 69.2%	61.7% - 68.5%	n/a
Award life (years)	Up to 5	3	n/a
Expected life (years)	Up to 5	3	n/a
Risk-free rate	0.54%	0.76%	n/a
Expected dividends expressed as a dividend yield	14.04%	5.95%	n/a
Deferred portion	n/a	50.0%	n/a
TSR threshold	n/a	30.0%	n/a
TSR maximum target	n/a	60.0%	n/a
EPS threshold	n/a	45.1p	n/a
EPS maximum target	n/a	54.8p	n/a
Net revenue threshold	n/a	11.6%	n/a
Net revenue maximum target	n/a	14.1%	n/a
Fair value per award (£)	0.87 – 0.92	0.62 – 0.87	n/a

* Performance conditions only apply for the Executive Directors and Senior Leadership Team schemes.

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		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
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	–
Outstanding at 1 January 2021	**958,399**	**0.93**	**10,927**	**4.30**	**3,222,861**	**–**	**7,579,068**	**–**	**909,523**	**–**
Granted	**229,536**	**1.11**	**–**	**–**	**–**	**–**	**4,133,773**	**–**	**838,491**	**–**
Expired/lapsed	**(163,297)**	**1.15**	**(2,270)**	**5.26**	**(61,540)**	**–**	**(3,705,148)**	**–**	**(25,999)**	**–**
Exercised	**–**	**–**	**–**	**–**	**(824,594)**	**–**	**(584,570)**	**–**	**(348,277)**	**–**
Outstanding at 31 December 2021	**1,024,638**	**0.94**	**8,657**	**4.05**	**2,336,727**	**–**	**7,423,123**	**–**	**1,373,738**	**–**

Share awards outstanding at 31 December 2021 had exercise prices of £0.86 – £5.26 (2020: £0.86 – £5.26) and a weighted average remaining contractual life of 8.2 years (2020: 7.9 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		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
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	–	–	–
Outstanding at 1 January 2021	**639,315**	**0.91**	**5,896**	**5.01**	**1,198,728**	**–**	**3,183,077**	**–**	**–**	
Granted	**132,699**	**1.11**	**–**	**–**	**–**	**–**	**2,091,986**	**–**	**655,521**	**–**
Expired/lapsed	**(93,187)**	**1.10**	**(2,000)**	**5.26**	**(30,774)**	**–**	**(1,693,137)**	**–**	**–**	**–**
Exercised	**–**	**–**	**–**	**–**	**(348,761)**	**–**	**(299,629)**	**–**	**–**	**–**
Outstanding at 31 December 2021	**678,827**	**0.93**	**3,896**	**4.87**	**819,193**	**–**	**3,282,297**	**–**	**655,521**	**–**

Share awards outstanding at 31 December 2021 had exercise prices of £0.86 – £5.26 (2020: £0.86 – £5.26) and a weighted average remaining contractual life of 8.1 years (2020: 7.9 years).

29. Share capital

Company	2021 £m	2020 £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 2021 was 12,463,982 (2020: 11,560,509). During 2021 the employee trust acquired 1,000,000 shares at an average price of £1.34 (2020 nil acquired) and the treasury trust acquired 1,673,203 shares at a price of £1.54 following completion of a share buyback in connection with the Company's withdrawal of its ordinary shares from trading on the Warsaw Stock Exchange (2020 nil acquired).

30. Reconciliation of profit/(loss) after taxation to cash generated from operating activities

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Profit/(loss) after taxation from operations	**41.9**	(64.2)	**(48.2)**	181.7
Adjusted for:				
– tax charge	**25.8**	23.5	**1.5**	1.8
– finance costs	**54.0**	56.7	**73.3**	65.4
– finance income	**–**	(9.9)	**(40.1)**	(35.4)
– share-based payment (credit)/charge (note 28)	**(0.2)**	1.1	**(0.2)**	0.2
– depreciation of property, plant and equipment (note 14)	**5.6**	7.2	**0.1**	–
– loss on disposal of property, plant and equipment (note 14)	**0.4**	0.2	**–**	–
– amortisation of intangible assets (note 12)	**14.7**	25.9	**–**	–
– depreciation of right-of-use assets (note 15)	**8.4**	9.9	**0.1**	–
– impairment of right-of-use assets (note 15)	**–**	0.5	**–**	–
– short term and low value lease costs (note 15)	**1.2**	1.7	**–**	–
Changes in operating assets and liabilities:				
– (increase)/decrease in amounts receivable from customers	**(88.4)**	294.9	**–**	–
– (increase)/decrease in other receivables	**(3.7)**	4.1	**29.1**	49.1
– increase/(decrease) in trade and other payables	**26.7**	(31.2)	**(8.2)**	(71.8)
– change in provisions	**(13.2)**	19.2	**–**	–
– change in retirement benefit asset	**(1.0)**	(1.4)	**(1.0)**	(1.4)
– increase/(decrease) in derivative financial instrument liabilities	**2.1**	(8.4)	**0.2**	(0.1)
Cash generated from operating activities	**74.3**	329.8	**6.6**	189.5

31. Capital commitments

Group	2021 £m	2020 £m
Capital expenditure commitments contracted with third parties but not provided for at 31 December	**8.6**	2.6

Capital expenditure commitments increased during 2021 due to a Europe wide mobile phone and tablet refresh programme and the refurbishment of head office premises in Europe. The Company has no commitments as at 31 December 2021 (2020: £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 £161.3 million (2020: £185.7 million). At 31 December 2021, the fixed and floating rate borrowings under these facilities amounted to £89.2 million (2020: £75.8 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 2021 was £nil (2020: £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 required 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 in respect of interest of £1.1 million, which was paid in August 2021. The payment of this amount is a procedural matter, and the new law does not allow for postponement. The company has appealed 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 provision has been recorded in the Financial Statements. The £15.3 million paid is held on the balance sheet as a non-current tax asset.

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 open years up to and including 2018 is £7.3 million. This domestic tax issue with respect to years up to and including 2018 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. In the unlikely event that the Group's position were not to be sustained with respect to the domestic condition, a further amount of up to £1.5 million would be payable with respect to 2019.

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:

	2021			2020		
Company	**Recharge of costs £m**	**Interest charge £m**	**Outstanding balance £m**	Recharge of costs £m	Interest charge £m	Outstanding balance £m
Europe	**0.1**	**–**	**(0.1)**	0.1	–	0.2
Mexico	**–**	**6.8**	**–**	–	7.1	–
Other UK companies	**6.6**	**1.6**	**55.7**	2.1	(1.0)	37.2
	6.7	**8.4**	**55.6**	2.2	6.1	37.4

The outstanding balance represents the gross intercompany balance receivable by the Company. This balance has increased during 2021 due to the increase 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.

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 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).
Closing net receivables growth at constant exchange rates (%)	None	Not applicable	Closing net receivables growth is the period-on-period change in closing net receivables which is calculated by retranslating the previous year's closing net receivables at the closing actual exchange rate 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.
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.
Net debt	None	Not applicable	Borrowings less cash

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 2020 profit and loss account at the average actual exchange rates used in the current year.

2021 **£m**	**European home credit**	**Mexico home credit**	**IPF Digital**	**Central costs**	**Group**
Customers (000)	**810**	**654**	**263**	**–**	**1,727**
Closing receivables	**425.9**	**117.6**	**173.3**	**–**	**716.8**
Credit issued	**599.2**	**194.2**	**188.7**	**–**	**982.1**
Average net receivables	**403.3**	**102.8**	**170.9**	**–**	**677.0**
Revenue	**284.7**	**146.0**	**118.0**	**–**	**548.7**
Impairment	**1.6**	**(33.8)**	**(24.0)**	**–**	**(56.2)**
Net revenue	**286.3**	**112.2**	**94.0**	**–**	**492.5**
Finance costs	**(34.0)**	**(6.6)**	**(13.3)**	**(0.1)**	**(54.0)**
Agents' commission	**(42.9)**	**(22.4)**	**–**	**–**	**(65.3)**
Other costs	**(154.9)**	**(64.8)**	**(72.0)**	**(13.8)**	**(305.5)**
Profit/(loss) before tax	**54.5**	**18.4**	**8.7**	**(13.9)**	**67.7**

2020 performance at 2020 average foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customers (000)	827	599	2,256	–	1,682
Closing receivables	389.5	92.8	186.8	–	669.1
Credit issued	453.8	143.6	174.8	–	772.2
Average net receivables	443.0	102.5	232.1	–	777.6
Revenue	351.1	157.1	153.1	–	661.3
Impairment	(125.1)	(53.0)	(69.5)	–	(247.6)
Net revenue	226.0	104.1	83.6	–	413.7
Finance costs	(32.3)	(7.7)	(14.9)	(0.1)	(55.0)
Agents' commission	(50.7)	(21.3)	–	–	(72.0)
Other costs	(154.7)	(71.6)	(76.6)	(12.6)	(315.5)
Pre-exceptional (loss)/profit before tax	(11.7)	3.5	(7.9)	(12.7)	(28.8)

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Closing receivables	(24.2)	(2.0)	(10.6)	–	(36.8)
Credit issued	(24.1)	(5.1)	(3.6)	–	(32.8)
Average net receivables	(20.7)	(2.6)	(6.8)	–	(30.1)
Revenue	(10.4)	(1.0)	(4.4)	–	(15.8)
Impairment	(1.7)	(3.3)	1.9	–	(3.1)
Net revenue	(12.1)	(4.3)	(2.5)	–	(18.9)
Finance costs	1.4	0.2	0.7	–	2.3
Agents' commission	2.6	0.4	–	–	3.0
Other costs	6.0	1.4	2.3	–	9.7
Pre-exceptional (loss)/profit before tax	(2.1)	(2.3)	0.5	–	(3.9)

2020 performance at 2021 average exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Closing receivables	365.3	90.8	176.2	–	632.3
Credit issued	429.7	138.5	171.2	–	739.4
Average net receivables	422.3	99.9	225.3	–	747.5
Revenue	340.7	156.1	148.7	–	645.5
Impairment	(126.8)	(56.3)	(67.6)	–	(250.7)
Net revenue	213.9	99.8	81.1	–	394.8
Finance costs	(30.9)	(7.5)	(14.2)	0.1	(52.7)
Agents' commission	(48.1)	(20.9)	–	–	(69.0)
Other costs	(148.7)	(70.2)	(74.3)	(12.6)	(305.8)

Year-on-year movement at constant exchange rates

	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Closing receivables	16.6%	29.5%	(1.6%)	–	13.4%
Credit issued	39.4%	40.2%	10.2%	–	32.8%
Average net receivables	(4.5%)	2.9%	(24.1%)	–	(9.4%)
Revenue	(16.4%)	(6.5%)	(20.6%)	–	(15.0%)
Impairment	101.3%	40.0%	64.5%	–	77.6%
Net revenue	33.8%	12.4%	15.9%	–	24.7%
Finance costs	(10.0%)	12.0%	6.3%	–	(2.5%)
Agents' commission	10.8%	(7.2%)	–	–	5.4%
Other costs	(4.2%)	7.7%	3.1%	(9.5%)	0.1%

Return on assets (ROA)

ROA is calculated as profit/(loss) before interest after tax divided by average receivables

2021	**European home credit**	**Mexico home credit**	**IPF Digital**	**Central cost**	**Group**
Profit/(loss) before tax (£m)	**54.5**	**18.4**	**8.7**	**(13.9)**	**67.7**
Interest (£m)	**(34.0)**	**(6.6)**	**(13.3)**	**(0.1)**	**(54.0)**
Profit before interest and tax (£m)	**88.5**	**25.0**	**22.0**	**(13.8)**	**121.7**
Taxation (£m)	**(33.7)**	**(9.5)**	**(8.4)**	**5.3**	**(46.4%)**
Profit before interest after tax (£m)	**54.8**	**15.5**	**13.6**	**(8.5)**	**75.3**
Average net receivables (£m)	**403.3**	**102.8**	**170.9**	**–**	**677.0**
Return on assets (ROA)	**13.6%**	**15.1%**	**8.0%**	**–**	**11.1%**

2020	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Pre-exceptional (loss)/profit before tax (£m)	(11.7)	3.5	(7.9)	(12.7)	(28.8)
Interest (£m)	(32.3)	(7.7)	(14.9)	(0.1)	(55.0)
Pre-exceptional profit/(loss) before interest and tax (£m)	20.6	11.2	7.0	(12.6)	26.2
Taxation (£m)	(17.5)	(9.5)	(6.0)	10.7	(22.3)
Pre-exceptional profit before interest after tax (£m)	3.1	1.7	1.0	(1.9)	3.9
Average net receivables (£m)	443.0	102.5	232.1	–	777.6
Pre-exceptional return on assets (ROA)	0.7%	1.6%	0.5%	–	0.5%

Return on equity (ROE)

ROE is calculated as profit after tax divided by average net assets

	2021 £m	2020 £m	2019 £m
Equity (net assets)	**367.1**	370.5	436.4
Average equity	**368.8**	403.5	
Profit/(loss) after tax	**41.9**	(53.3)	
Return on equity	**11.4%**	(13.2%)	

Financial calendar for 2022

23 February	Announcement of 2021 full-year results
7 April	Ex-dividend date for final dividend
8 April	Record date for final dividend
13 April	DRIP cut-off date
28 April	2022 AGM
6 May	Payment of 2021 final dividend
27 July	Announcement of 2022 half-year results
1 September	Ex-dividend date of interim dividend
2 September	Record date for interim dividend
9 September	DRIP cut-off date
30 September	Payment of 2022 interim dividend

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
2021	0.022	02/09/2021	01/10/2021	Interim

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 Group.

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:
0371 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.linkgroup.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 Group. 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, customer representatives 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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