International Personal Finance

Financial INCLUSION today, for tomorrow

Annual Report and Financial Statements 2022

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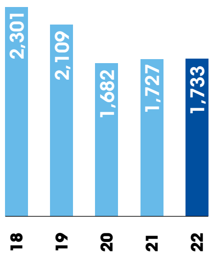
2022 highlights

Strong growth and financial performance

Customers ('000)

1,733

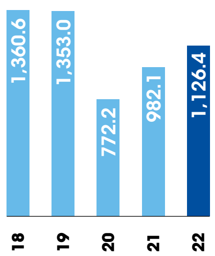
+0.3%



Customer lending (£m)

£1,126.4m

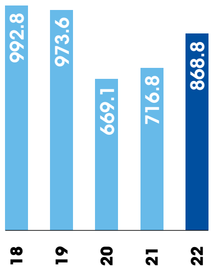
+14%*



Closing receivables (£m)

£868.8m

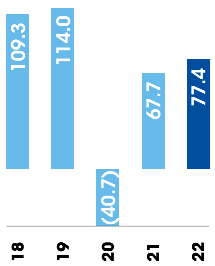
+14%*



Profit before tax (£m)

£77.4m

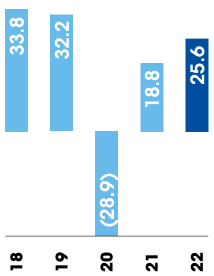
+14%



Earnings per share (p)

25.6p

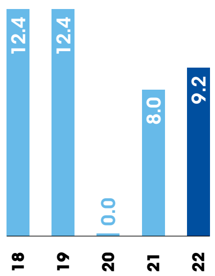
+36%



Dividend per share (p)

9.2p

+15%



* At constant exchange rates

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 135, a reconciliation of the APMs we use where relevant and a glossary on pages 172 to 173 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 2022 in order to present the underlying performance variance.

International Personal Finance plc (IPF)

Company number: 6018973.

Financial INCLUSION today, for tomorrow

IPF is a global financial services provider striving to deliver on our purpose to build a better world through financial inclusion.

We play a vital role in the lives of millions of customers, who are often unable to access credit from banks and traditional lenders, by providing access to unsecured, affordable credit and great value insurance products, in a responsible way.

And we are not only here to help our customers buy the everyday things they want or need today, but they can be sure of our support on their financial journey so they can plan for tomorrow.

Chair's statement

"I am pleased to report another year of very good operational and financial performance. We have compelling products, skilled and committed teams, and strong local knowledge which combine to make IPF a strong business."

Stuart Sinclair
Chair

Welcome to our 2022 Annual Report.

2022 was a significant year for IPF. Since our very first loan was granted in Poland over 25 years ago, IPF's people have provided a vital service for customers in the markets we serve, offering accessible credit and other financial services. In 2022, we continued to deliver on this important objective, but also continued to evolve the business to reflect changing customer preferences and regulatory requirements.

Overall, 2022 saw us deliver strong growth and a very good financial performance, despite the challenges of resurgent Covid-19 disruption early in the year, the outbreak of war in Ukraine and the cost-of-living crisis. We were able to achieve these results because of excellent operational execution against our strategy, meaning our customer lending increased by 14% (at CER) year on year and closing net receivables grew by a similar amount, ending the year at £869m. Profit before tax grew by14.3% to £77.4m and, pleasingly, all our business divisions delivered good lending growth and contributed profitable performances. Consistent with our prudent approach to risk management, the Group continues to have a well-capitalised balance sheet and robust funding position, with headroom on debt facilities of £76m, which supports our business plans into 2024.

But these figures only tell part of the story as, during 2022, we also continued to invest in growth and developing capabilities, acquire new customers and deliver on our purpose. The rest of this Annual Report goes into these points in more detail, but it falls to me to say, on behalf of the Board, thank you to my colleagues at IPF for working so hard to achieve these results.

Strategy

As Chair, my role is to ensure our governance both challenges and supports decision-making that will ultimately ensure IPF is a company which delivers for all its stakeholders. But one thing I never lose sight of is the simple fact that day in, day out, our colleagues serve over 1.7m customers; people who would almost certainly struggle to obtain loans from more mainstream providers, and whose circumstances require a careful and sympathetic response and access to products which help them keep on track. A fundamental value therefore, and one which I think provides a telling insight into how this business operates, is that customer representatives are paid primarily for collecting from their customers, not the number of loans they grant. They can also grant interest and fee-free extensions as warranted by the customer's circumstances.

This sense of the larger purpose we play in society and of doing the right thing provides me and, I know, the other members of the Board, with an excellent framework to set IPF's strategy, oversee performance and ensure risks are well managed. In 2022 it meant the Board oversaw a strategy which built on our successful propositions for the next generation of customers, diversifying our product mix, introducing new products and overseeing our technology agenda.

The Board has also supported and encouraged the executive team in making the business more operationally efficient and delivering critical projects such as the new credit card in Poland, an improved digital wallet product and an enhanced customer relationship management solution for our European home credit business.

One further area of change in 2022 was the regulatory environment, which is now considerably more complicated than when the business started – a challenge facing all financial services businesses. But we have embraced these changes, and where possible anticipated them, evolving our products and operations to reflect all new requirements, including in Poland where a tighter total cost of credit cap came into force in December 2022. An update on regulatory developments can be found on pages 16 and 26.

Dividends

Based on the leadership's successful execution of our growth strategy, the Board is pleased to declare a 12.1% increase in the final dividend to 6.5 pence per share. This is in line with the Group's progressive dividend policy and brings the full-year dividend to 9.2 pence per share (2021: 8.0 pence per share), an increase of 15% on 2021 and represents a payout ratio of 44% of pre-exceptional post-tax earnings (2021: 43%).

It is worth reflecting that since IPF was listed in 2007 we have delivered more than £1bn profit before tax and returned over £200m to shareholders in dividends. I think this picture demonstrates that we are an organisation with a real long-term focus.

Operating with purpose

The role businesses can play in tackling wider global and societal challenges is rightly a focus of many of our stakeholders.

It seems clear that many organisations are considering afresh what their purpose is or should be. In my experience the position at IPF is different – our purpose is rooted in what we do every day – and it's something we know well. It is inherent to who we are. We know that for our customers, without our involvement, they couldn't have provided the things they or their families needed. It also means, in my view, that when we talk about our purpose, we don't have to agonise about "why do we exist" or "how do we know we leave customers in a good place" as the evidence is clear on these points. However, work on purpose never stops. In 2022, the Board and broader executive team have considered extensively how we do business and engage with our customers to ensure that we are living our purpose in all that we do.

But our purpose-related work is broader than simply doing what we do in a fair and ethical manner. As I travelled around our markets in 2022, I saw the remarkable ethos of community engagement first-hand, particularly in the work that is done through our Invisibles programme as well as our work to help those most affected by the conflict in the Ukraine. One thing which sticks in my mind was my visit to our centre in Warsaw known as the Mother's House and was touched to see the results of the immense volunteering and fundraising efforts that our colleagues have made to renovate and create a long-term safe place for women and children displaced by the war in Ukraine.

Along with purpose comes partnership. Working with investors, regulators, colleagues, customers, communities and suppliers is key to our long-term health as a company. The Board takes a significant degree of direct responsibility in relation to understanding the views of stakeholders. In 2022, as the world opened up after the pandemic, I and other Board members were able to travel to our markets. As well as meeting with business leaders we ensure that as Board members we visit customers in their homes and spend time with front-line colleagues, seeing our broader social contribution and engaging with the talent of tomorrow . I feel sure this input helps guide the Board's deliberations to ensure the balance of the value we create for all our stakeholders is sensible and proportionate. From a personal perspective I appreciated the candour of those I met during the past year.

"I look forward to the year ahead, knowing that the talent and commitment of our people, the operational and financial strength of our business, our ability to innovate and our commitment to good governance will help us to fulfil our potential as a socially responsible business."

A Board for the future

My focus continues to be on maintaining a strong Board with a diverse range of professional backgrounds, skills and perspectives. Succession planning was a priority for me in 2022 to ensure we continue to deliver on this objective.

As part of our succession plans, Gary Thompson was appointed to the Board as Chief Financial Officer on 4 April 2022 and, with his wealth of sector-specific experience, has proven to be a very strong addition to the IPF executive team. I was also delighted to welcome two new non-executive directors, Katrina Cliffe and Aileen Wallace, who joined the Board in August and December 2022 respectively, bringing extensive experience of retail financial services and technology to the Group.

Non-executive directors Bronwyn Syiek and John Mangelaars resigned from the Board in June and December respectively and, on behalf of the Board, I would like to thank them both for their valuable contributions.

Looking ahead

The last two years have shown that our ambitious strategy, underpinned by our purpose, has enabled us to respond to even the most severe challenges and deliver a strong performance for the benefit of our stakeholders.

Whilst there continue to be macroeconomic challenges including inflationary pressure, the executive team has continually proven its ability to adapt to changing circumstances whether arising from the pandemic, economic factors or the war in Ukraine. I therefore remain confident in the ability of IPF and the team to deliver attractive returns in the future.

I also look forward to the year ahead, knowing that the talent and commitment of our people, the operational and financial strength of our business, our ability to innovate and our commitment to good governance will help us to fulfil our potential as a socially responsible business providing high-quality, essential services to our customers and ultimately, helping to build a better world through financial inclusion.

Stuart Sinclair
Chair

1 March 2023

Building a better world through financial inclusion

In the past 25 years we have served 14m individual customers

Our place in the market

Our purpose is to build a better world through financial inclusion for a growing financially underserved population, many of whom are excluded from day-to-day financial services.

According to the World Bank, together with our own analysis, it is estimated that there are more than 70m financially underserved adults within our nine markets alone. Not being part of the regulated financial system, people find it difficult to save, obtain fair-priced credit or start a business.

We often represent the first rung on the credit ladder and, for many, this is the start of a journey to build their credit profile. Our unrivalled expertise in this particular consumer segment puts us in a strong position to financially include more customers while growing the business. We operate in the highly regulated non-bank financial sector with price caps and affordability regulations in place in most of our markets.

Banks

Non-bank financial institutions

Home credit loans
Digital credit lines
Digital loans
Credit card
Mobile wallet
Insurances
Point of sale finance

Credit unions | Home credit | Digital lenders | Pawn brokers

Grey market

Family and friends | Unregulated lenders

How our customers use their loans:

- Education and return-to-school expenses.
- Healthcare and medical expenses.
- Smoothing their budgets and managing unexpected expenses.
- Home improvements and household goods.
- Building a micro business (Mexico).
- Family celebrations and Christmas.

Our customers

Our customers budget very carefully and typically want to borrow small sums with transparent costs and regular, affordable repayments.

Most are aged between 30 and 50 and have a family with children. Around 60% are female and are contributing to the family budget. They have low or medium incomes and tell us they want a sympathetic approach and flexible repayments if they face difficulty repaying their loan.

Many are excluded by banks for a number of reasons including:

- They work but their income is difficult to verify.
- They have not borrowed before and have no formal credit history.
- They have defaulted on a credit agreement in the past resulting in a damaged credit history.

Read more on financial inclusion on pages 42 and 43.

European home credit	Mexico home credit	IPF Digital
784,000 customers	**696,000 customers**	**253,000 customers**

Serving 1.7m customers

Our unique approach

Our expertise and special focus on providing credit to those that are underserved has made us a global leader in our sector.

We are the only business to offer both home credit and digital credit options, plus a range of insurance products. At the heart of our business model are strong, personal relationships with our customers, the majority of whom we visit week in, week out.

We pride ourselves on being a trusted lender and serving our customers responsibly. Our values unite the way we work every day to meet our customers' needs and support the communities in which we operate. They are underpinned by our Code of Ethics which guides responsible behaviour and decisions.

Our values

Responsible
Taking due care in all our actions and decisions

Respectful
Treating others as we would like to be treated

Straightforward
Being open and transparent in everything we do

Code of Ethics

25 years
in business

Long-established, award-winning business with positive brand recognition and significant future growth potential

Over £1bn
profit

Profitable every year since listing in 2007 with 2020 being the only exception due to the Covid-19 pandemic

14m
people served

Dedicated to creating financial inclusion and have served 14m people since 1997

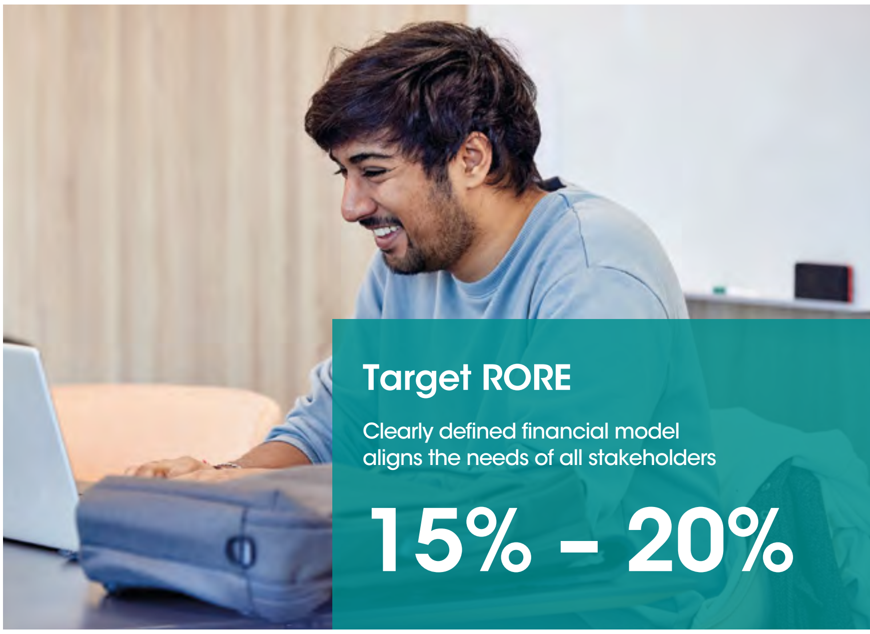
Our sustainable returns

We operate with strong financial disciplines to ensure our loans are affordable while delivering an appropriate financial return which balances the needs of all our stakeholders.

The most integral part of our financial model is that we must deliver a return on required equity (RORE) of between 15% and 20%. We believe that returns materially in excess of this range would result in us not balancing the needs of all of our stakeholders in delivering our purpose.

As we capture the significant growth opportunities we see for the Group, we aim to deliver sustainable earnings whilst maintaining a strong balance sheet, adopting a minimum return to shareholders of 40% of post-tax earnings and investing in the future growth of the business.

Read more on our financial model on page 30.



Target RORE

Clearly defined financial model aligns the needs of all stakeholders

15% – 20%

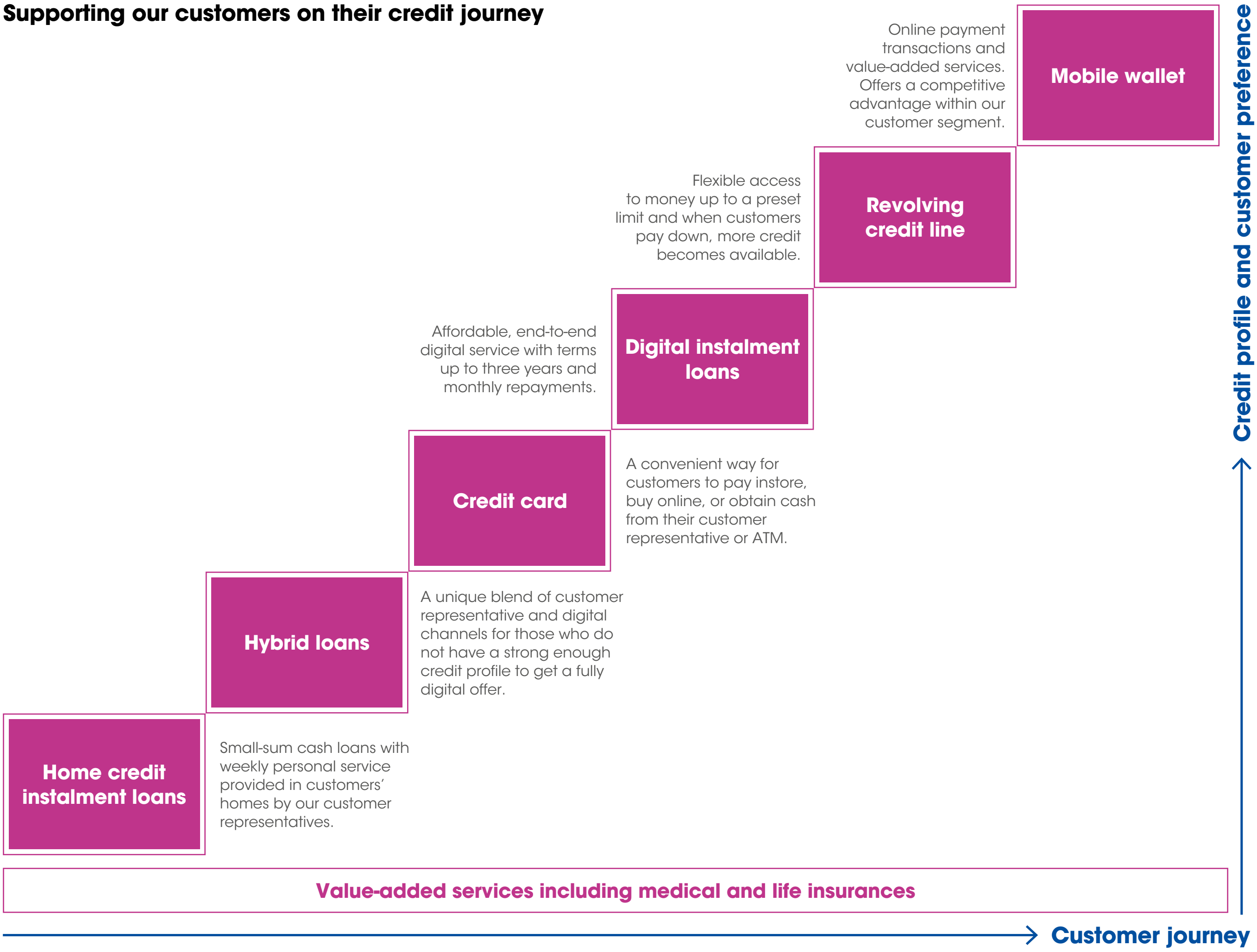
Our award-winning culture

Our products and services

We offer a broad suite of traditional and innovative products and services to suit our customers' preferences and different credit profiles.

Our range of simple, affordable credit products has been developed to suit the different credit profiles of our customers and to provide a flexible path to move between our home credit and digital offerings, if their financial circumstances and credit history allow. We also provide access to a number of services including medical and life insurance which, due to our buying power, are offered at much lower prices than our customers can obtain themselves.

Supporting our customers on their credit journey



Our business divisions

We operate three successful and geographically diverse business divisions which generate good returns.

European home credit

Typical loan
£780
Average term
74 weeks

Mexico home credit

Typical loan
£300
Average term
46 weeks

IPF Digital

Average credit line principal outstanding
£1,100
Average instalment loan
£975

Offering financial support to our CUSTOMERS with affordable financial products and services

Jennifer lives with her three daughters in Oaxaca, Mexico

When Jennifer took her first loan with Provident in Mexico, she was facing some financial challenges. A single mother of three girls, she had no savings or support from a bank. Because we specialise in serving people who have a limited credit profile we were able to lend Jennifer the money she needed. Jennifer repaid her first loan and has come back to us a number of times for a loan to make home improvements and support her children's education.

"Provident doesn't just help you buy things, it makes dreams come true. I took out a loan to pay the tuition fees for one of my daughters and I saw the results of this when she graduated saying "Mum I did it!". Now my dream is to create my own training company and continue helping families because, at the end of the day that's what it's about."

Our social role

We play an important role in creating financial inclusion and make a positive social contribution to the wider economy. We are continually improving the great things our business means to all our stakeholders from how we serve customers and design our products, to the way we make decisions, treat each other and support our communities.

How we are delivering for all our stakeholders

Building a better world through financial inclusion

Our customers

- Providing access to affordable, regulated and flexible credit when others won't or can't.
- Helping develop customers' credit history enabling more credit choices in future.

Our colleagues

- Providing careers and an income for over 20,000 colleagues.
- Investing in leadership development and promotion opportunities.
- Offering an inclusive and diverse work environment.

Investors

- Delivering fair and sustainable returns.
- Maintaining an open, transparent dialogue.
- Being a force for good in society with a meaningful purpose.

Our communities

- Contributing positively to our communities and the environment.
- Investing in local causes that are important to us.
- Global programme 'Invisibles' supports underprivileged and excluded people.

Our regulators

- Abiding by all relevant regulations and contractual obligations.
- Providing clear information so customers can make informed borrowing decisions.
- With regulators, helping to shape financially inclusive regulation.
- Transparent, ethical and fair practices.

Governments

- Providing a valuable service and fulfilling government inclusion strategies.
- Strong foundation of corporate citizenship and contributing to local economies through taxes paid.
- Providing insight into the lives of the voting public.

NGOs

- Providing funding and support.
- Active membership of sector associations.
- Open, honest debate to improve the lives of customers.

Suppliers and partners

- Professional, reliable and trustworthy.
- 4,150 supplier partnerships.
- Paying invoices on time.

KPIs

1.7m
customers we currently include in the financial mainstream

£128m*
taxes paid in 2022, supporting the wider economy

80%
of our colleagues are female

£1.1m
invested in our community programmes

* Comprising £48m taxes paid (representing a cost to the Group) and £80m taxes collected on behalf of governments such as payroll taxes and employees' social security contributions. The £48m taxes paid is stated net of repayments of £26m of tax received in the year from the Polish Tax Authority relating to earlier periods as set out in the Financial review on page 34.

Read more on stakeholder engagement on pages 38 and 39

Financial inclusion to ACCESS affordable financial products and services

Gavril Texe is one of our customers in Romania

Gavril is a retired doctor from Romania who, at the age of 70, found he needed a credit history to access European funding for a special project he was developing.

"I wanted to open an educational centre in Oradea to teach people about healthy food and living though plant-based diets and medicine, but to access the funding I was told I needed a bank account and credit history. I signed up with a well known bank but when I asked for a loan to create the credit history I needed, I was refused because of my age. I told them that I work and also have a pension but they said because I am 70 they can no longer serve me. When I've wanted money quickly before I've borrowed from a colleague or my wife. So I had an idea – I asked Provident and they were there. We are now waiting for the approval of the project and soon we will be holding courses in the centre to help local people interested in changing their way of life."

A resilient, sustainable and responsible business model

Our unique proposition helps underserved consumers access financial services and creates long-term value for the communities we serve.

Relationships

Customers

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

Colleagues

Motivating valued 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 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.

A unique consumer finance proposition that is.....

What we do

We play a vital role in society by helping underserved consumers in nine markets gain access to affordable financial products and services.

We have built a suite of products ranging from home credit and digital instalment loans, a credit card and digital credit lines to a mobile wallet, insurances and other value-added services. They are tailored to our customers' financial circumstances and needs, and we deliver them in a responsible way. In doing so we are building financial inclusion for millions of people.

Please see pages 4 to 6 for more information.

Our values

Responsible • Straightforward • Respectful

What makes us different

Specialist lender

We are experts with deep market knowledge gained over the past 25 years of serving customers who are underbanked and underserved.

Unique product offering

We are the only financial services business to provide both home credit and digital offerings, plus a range of insurances which meet our customers' different credit profiles and create a flexible path for them to access our products as their credit history improves.

Close customer relationships

Our customer representatives meet customers in their homes every week. They build unique personal relationships and offer high levels of contact which helps customers stay in control of their repayments. We are also in regular dialogue with our digital customers who 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 and support financial inclusion.

Difficult to replicate

The home credit model, with its large customer representative infrastructure, is extremely difficult to replicate, and takes years of experience to manage effectively.

Profitable and highly scalable

Our digital business is profitable and highly scalable as it meets the growing number of consumers who want affordable credit online.

Read our investment proposition on page 17

....delivering long-term value for society

Customers

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

1.7m
customers

Colleagues

Developing rewarding and retaining colleagues so they are motivated to serve customers well, achieve exciting careers and deliver our growth plans.

20,000+
colleagues

Communities

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

4,000
colleagues volunteered in their community

Suppliers

Supporting thousands of businesses and forming strong and sustainable partnerships with them.

4,150
direct suppliers

Regulators and government

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

53
sector associations

Investors

Generating good returns, delivering growth responsibly and capturing market opportunities

>£200m
dividends paid to shareholders since listing in 2007

Our market place and overview

Our business offers significant long-term growth opportunities. A large proportion of people living in our nine markets find it difficult to access credit, particularly during challenging economic times. We have the expertise, product offering and robust capital foundation to serve more customers and deliver sustainable returns.

We track consumer and market trends continually and use this insight to shape our strategy and respond to the challenges and opportunities that arise. Here are some of the key drivers and our response.

Market trends

Growing demand for unsecured consumer credit

Related principal risks

1 4 7 8

High inflationary landscape

Related principal risks

1 3

High levels of competition

Related principal risks

7

Regulation

Related principal risks

2 4 7

Market trend highlights

Our response

- Significant long-term demand for affordable credit from our target consumers.
- It is harder for our consumer segment to find affordable finance as other lenders reduce their risk appetite.
- Consumers are demanding personalised digital finance experiences, and seamless interaction with their financial provider.
- Consumers want easier and faster access to their finances and mobile is the dominant channel for digital customers.

- We have developed a broad suite of products that suits the different credit profiles and preferences of our customers.
- We are growing our digital lending capacity and rolling out our mobile wallet, which is unique to target segment of consumers we serve.
- We have developed 'ProviGo', a new app for customers to improve and personalise the customer experience.

>70m

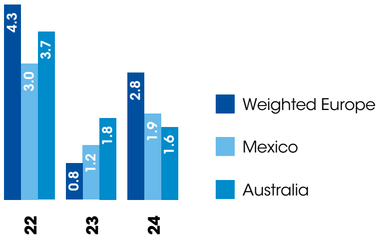
estimated underserved consumers in our markets

Source: World Bank Financial Inclusion database 2021 and IPF analysis

- The war in Ukraine and rising costs of living negatively impacted consumer sentiment.
- Disposable incomes likely to come under further pressure.
- High wage inflation and employment levels in most of our markets.
- Non-bank financial institutions will continue to be a crucial source of finance for lower-income individuals.
- Interest rate rises increasing funding costs.

- We will continue to serve our loyal customers who are underserved by other lenders, even in difficult times.
- We proactively tightened our credit settings for consumers with higher credit risk profiles.
- We will continue to adopt a cautious approach to lending and will further tighten credit settings, if necessary.
- We have a strong focus on cost efficiency and process optimisation to mitigate inflation and the rising cost of funding.

GDP growth forecasts (%)



Sources: European Commission and HSBC quarterly economic updates

- Our direct competitors remain broadly unchanged though there has been some market rationalisation due to financing issues.
- Some banks are tightening their lending criteria in response to the cost-of-living crisis.
- Many fintechs and buy now, pay later models struggling to reach profitability.
- There have been very few new entrants trying to serve our segment of consumers.

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

Key competitors

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

- Regulators and legislators continue to focus on the consumer credit sector with key areas of interest being affordability, responsible lending and fair pricing.
- A tighter price cap was introduced in Poland in December 2022 and new affordability rules will come into force in May 2023.

- 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 and strive to ensure that they understand the important role our business plays in extending financial inclusion.
- We have an excellent track record of managing through changes in the regulatory landscape.

Areas of regulatory interest

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

See pages 58-62 for further information on principal risks

Principal risks

1. Credit
2. Regulatory
3. Funding, liquidity, market and counterparty
4. Reputation
5. Taxation
6. Change management
7. Product proposition
8. Technology
9. People

A strategy to deliver a thriving business

Guided by our purpose, our strategy provides the direction to deliver excellent service to our loyal customers and build on our successful product propositions to attract the next generation. Excellent execution will enable us to build a thriving business with strong growth prospects whilst balancing the needs of our customers, colleagues, investors and society at large. Underpinning our strategy is a clearly defined financial model which aligns all stakeholders and is bound by a target RORE of 15% to 20%.

Delivering on our strategy

"We made excellent progress against our strategy in 2022 which contributed to a very good financial performance delivered by all our divisions."

Gerard Ryan
Chief Executive Officer

How would you sum up performance in 2022?

Having had such a positive return to growth in 2021, we entered 2022 full of energy and committed to rebuilding our business post the pandemic and making good on our promise of creating financial inclusion for the underbanked and underserved communities around the world. And then, towards the end of February, Russia invaded Ukraine, and we had to rapidly rethink our plans for the year. As I thought about this interview and the areas we might cover, it occurred to me that first and foremost, I should call out the outstanding humanitarian response by my colleagues across the Group to what can only be described as a huge human tragedy. We operate in a number of countries that border Russia, but in truth, all of our businesses were impacted by this war. Whilst the level of activity in our European businesses dropped dramatically in the immediate aftermath of the invasion by Russia, our primary concern was to assist our colleagues who were volunteering to help refugees flowing across their border, particularly in Poland. Our colleagues provided shelter, food and transport to the dispossessed and, to this day, they are still giving their own time and resources in a way that makes me very proud to say that we work in the same business.

By mid May, we saw a return to more normalised levels of consumer demand for credit, and I am delighted to say that for the year as a whole we delivered 14% growth in customer lending and maintained portfolio quality at levels above our own expectations. We executed consistently against all the major pillars of our strategy, and, although we tightened our lending criteria in the fourth quarter in response to increasing economic uncertainty, consistent customer repayment behaviour, positive growth in lending and strong cost control enabled us to increase our profit before tax by 14.3% to £77.4m.

What were the key strategic achievements?

We agreed with the Board early in the year that our strategy remains fit for purpose as we respond to the challenges and opportunities facing the business. We continued to expand our product and distribution capabilities, and invested in technology to make customer journeys easier and improve efficiency.

Of particular note are the expansion of our business in Mexico home credit, the launch in Poland of our first ever credit card and the continued digitisation of many of the customer representative interactions that have met with a very positive reaction from our customers.

How does IPF have a positive impact on society?

The easiest way for me to explain it would be to say that we, both as a business and a community of colleagues, absolutely believe in our purpose. We spent a long time thinking about how we could capture our purpose in words that would resonate across all our businesses and with all our stakeholders. We don't believe for one second that we have achieved our mission; building a better world through financial inclusion is a journey, and there will always be more to be done. And we are not trying for one moment to pretend that we are anything other than a commercial organisation, but we are an organisation with heart. We provide access to an ever increasing range of financial services for consumers who would otherwise struggle to get these products and services, and we do so in a way that is fair and transparent and always focuses on the suitability of the product for the individual consumer. On my visits to meet customers for instance, I see first hand their appreciation of the value-added services, such as health insurance, that we can make available to them at prices that would be simply unobtainable as an individual.

We also provide employment to over 20,000 colleagues, and we invest time and effort to ensure that we continually develop our people and provide them with new skills and opportunities. We have created a global learning development programme with LinkedIn and invested in a development programme with Harvard University for our next generation of future leaders. And in Mexico, we are making huge strides in providing development paths for customer representatives to be promoted to development managers.

How are you supporting customers and colleagues facing the cost-of-living crisis?

Unsurprisingly, this is the biggest challenge facing our business as it impacts our customers, employees and customer representatives.

If I look first at our customers, it is clear that they spend a proportionately larger share of their income on essentials such as housing, food, energy and transport, all of which are being impacted by high inflation. Based on our analysis of inflationary impacts on affordability, we have taken proactive steps to tighten our scorecards so that we do not overindebt people. In addition, for existing customers who may face difficulties in the months ahead, we will make use of our forbearance and payment holiday options to help them manage through difficult periods.

As regards our employees and customer representatives, we are working on a country-by-country basis to understand the appropriate level of pay increase or changes to commission structures required to ensure our colleagues are rewarded fairly for the work they do. Whilst this will undoubtedly increase our cost base, we will be looking to achieve efficiencies to offset much of these impacts.

How much more will you tighten credit scorecards?

The actions we have taken to date have been pre-emptive and I should reiterate that we are very pleased with our portfolio quality and customer repayment behaviour. To the extent we see any meaningful change in our core key performance indicators, particularly those focused on customer affordability, we will of course take appropriate action at that stage, but to date, we are satisfied that our current tightening is appropriate. The situation in Poland will be different, as new affordability rules that will apply from May 2023 will significantly restrict the availability of credit for customers who have less disposable income.

How are you transforming your technical capability?

This is a hugely exciting area for us. Our technology investment could be broadly categorised as expanding our product set and distribution, improving our customer experience and making our business more efficient. We are accelerating the rollout of digital onboarding of new customers in our Mexico home credit business. This improves their experience and, at the same time, makes us more efficient. In Poland, we have rolled out ProviGo, an app that allows customers to view their account on their phone, apply for a new loan or settle their existing loan early. In the Baltics, our mobile wallet is helping us to better understand customer spending and repayment patterns whilst providing customers with richer functionality that they appreciate. And internally, unseen by our customers, we are upgrading our customer relationship management systems and moving our operations to the cloud. To enable us to maximise the benefit from this investment programme, we have significantly strengthened our technology team and this will continue to be a key focus area for us in the year ahead.

How confident are you of success in Poland now there is a tighter rate cap?

There is no doubting the sheer scale of the change that the new regulations will impose on our business in Poland. As we explained during our third quarter update, our strategic response was the launch of our first ever credit card. The card combines the flexibility of a credit card with many of the features of an instalment loan. Our customer representatives will continue to be at the heart of our relationship with our customers, so we have developed a full suite of training programmes to ensure they are comfortable with the product and its features. Our tests in the last quarter of 2022 reinforced our belief that this product change will be welcomed by and be beneficial for our customers. And because it is a new product structure, we will roll out the credit card at a steady pace and, as our customers become more accustomed to using it, we will progressively release new features to enhance their experience.

Has competition changed in the past year?

It is clear that we are now in a very different economic environment than 12 months ago. Central banks are no longer priming economies with huge amounts of near-free money, investors are liquidating investments and moving to cash, and the hype around fintech that led to incredible valuations has all but evaporated. As for the impact of these changes on competition in our markets, it is not significant today but is likely to grow in time. Broadly speaking, all of our markets continue to be very competitive, but we do see a significant reduction in risk appetite from buy now, pay later operations and smaller fintech businesses. Many of the latter had often spoken of their global ambitions but are now reining in their investments to conserve cash. Competition from banks and point of sale finance continues, but we expect to see a tightening of underwriting by these businesses as the impacts of high inflation continue to bite.

What are the most pressing ESG issues for IPF?

Undoubtedly, our focus is always on responsible lending, and ensuring that the loans we provide are appropriate for our customers' circumstances, both at the point we offer a loan but also with a view to affordability during the life of the loan. A good example here would be how we have proactively tightened scorecards, not because of what we see today, but what we believe might be the adverse impacts on affordability in the months ahead.

How are you ensuring diversity at IPF?

As an international group, our ability to understand, adapt to and respect diversity will continue to be a core ingredient in our continued success. My own leadership team has seven different nationalities, and we have successfully relocated senior colleagues across borders to bring new experiences and gain new skills. Today, 38% of our senior managers are female and we have a thriving womens' network across the Group. We are also engaged in providing opportunities to promote greater gender diversity, which is covered on page 45.

Do you have a plan to tackle climate change?

While recognising our carbon footprint is not as large as many other organisations, we are committed to minimising our impact on the environment in every way that we can. We have used the TCFD framework to integrate climate change into our risk management structure and processes. This will also serve as a clear and reliable way of informing all our stakeholders about the risks and opportunities of climate change on our business. In 2023, we plan to progress scenario analysis to provide greater insight on the resilience of the Group's strategy in different climate scenarios and identify targets relating to climate.

Where is IPF going to be in five years?

We are a specialist business and over the coming five years I see us working diligently to fulfil our purpose by continuing to grow our range of products and services, expanding our distribution, and investing to improve our customer experience and our own efficiency. There are great opportunities to grow within our existing markets and if the economic outlook improves in the next two years, I would see us looking to expand into new geographies thereafter. If we deliver on these strategic initiatives, I see us serving somewhere in the region of 2.5m customers in the next five years compared with 1.7m today. For my colleagues and I, that would feel like a major achievement in our goal to build a better world through financial inclusion.

What are your key plans for 2023?

As I look to the year ahead, we will continue to be there to support our customers even in these uncertain times. Our focus will be on transitioning our Polish business to the new lower rate cap and serving more customers with our exciting credit card offering. We will also continue the very successful expansion of our home credit business in Mexico. And in IPF Digital, we will be extending the reach of our mobile wallet and expanding the new hybrid lending opportunities that our digital and home credit businesses are partnering on in Mexico.

Gerard Ryan
Chief Executive Officer

A strong investment proposition

IPF is a global consumer credit business delivering financial inclusion for millions of people and having a positive impact on society. Our growth strategy combined with market leading brands, personal customer relationships and digital innovation position us uniquely to take advantage of increasing demand and deliver a RORE of between 15% and 20%.

Market leading and financially inclusive

Specialist financial services operator providing a range of credit products and value-added services to underserved consumers in a responsible way.

Substantial opportunities for sustainable, long-term growth

Increasing consumer demand and a broad range of products and distribution channels offer attractive, sustainable growth prospects.

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.

Strong financial profile

The Group is profitable, resilient and cash generative with a robust balance sheet and strong funding position to invest in our strategic plan and deliver growth.

Attractive, sustainable returns

Our financial model focuses on sustainable portfolio growth to deliver a RORE of 15% to 20%, which supports a progressive dividend payout ratio of at least 40% of earnings.

Significant future value

A great value business comprising three profitable divisions with attractive long-term growth prospects, proven returns and higher valuation potential.

>£1bn
profit before tax delivered since listing in 2007

>£200m
dividends paid since listing in 2007

15%–20%
target RORE

Strategy in action

We made great strides in executing our strategy, developing new products to attract more customers, improving the customer experience and introducing new development programmes for our colleagues.

Credit card

We launched an exciting new credit card proposition in Poland which retains the best of our home credit instalment loan features with a card account. The credit cards are distributed and instalments repaid through our customer representatives so the process is familiar and well liked by our customers. They can receive their cash loan through their customer representative, withdraw it from an ATM or use the card to make in-store and online purchases up to their credit limit. All transactions need be repaid within 11 months so our customers can keep on track and there are no fixed fees or penalty fees applied. As repayments are made, it opens up more credit options for customers if they want to take advantage of this. The credit card is valid for four years with the credit limit reviewed annually.

10,000

credit cards issued

Expanding in Mexico

Growing the customer representative network in Mexico is a key driver of increasing customers and lending in this significant growth market. In 2022, we increased the number of agencies by 660 within or close to our existing territory.

We also expanded our geographic footprint with the opening of a new branch in the northwest of Mexico around the densely populated area of Tijuana. In this region alone our research found there are around 1.4 million consumers in our target segment. We began to build the management team and customer representative network, and are now actively attracting new customers. We also plan to open in Tampico located in the east of Mexico in March 2023.

1.7m

potential consumers in our target segment in Tijuana and Tampico

ProviGo customer app

Our new ProviGo app seeks to put customers in charge of their finances. For the first time, customers can view their account online, look at their balance, track receipts of payments and see if they can access another loan or value-added service should they wish to do so. It also enables us to communicate directly with customers in real time with offers and promotions we are running. ProviGo is currently available to customers in Poland and we intend to start to roll out the app to other markets in 2023.

60,000

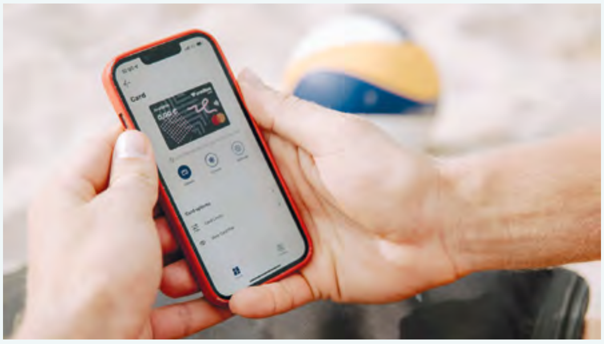
customers using ProviGo

Hybrid product offering

Our hybrid product strategy is a perfect example of how we can say 'yes' to more customers. Increasingly, consumers want to access finance digitally, but for a large proportion of these people their credit record is simply not strong enough to warrant a fully digital service. For these customers, we are now successfully providing hybrid services in Poland and Mexico, where the initial journey is carried out online, and the transaction completed in many cases by a customer representative.

Retail partnership tests

We have started building more points at which consumers can access credit through retail partnerships. In 2022, we focused on understanding the customer journey and building our capability with test point of sale finance for consumers in Romania and Mexico. In 2023, we plan to extend the number of retail partners to create additional growth momentum.



Mobile wallet

Our mobile wallet offers unique value to our segment of consumers who are often underserved by other lenders. The wallet is now available in three markets – Estonia, Latvia and Lithuania – providing consumers with bank-like facilities on their mobile and the ability to use their revolving credit in conjunction with a payment card to buy goods online or in stores. Looking ahead we plan to roll out mobile wallet in Mexico.

15,000

mobile wallet users

Global development programmes

We partnered with global experts LinkedIn Learning and Harvard University to provide personalised development materials and the first intake of colleagues embarked on our new Global Leaders Connect programme. We also developed an extensive development programme to support customer representatives to extend their careers beyond their current roles.

See page 44 for more information.

Delivering a strong performance against our strategy

Group

2022 progress against strategic priorities

- Broadened our product offering with a new credit card and retail partnership pilot tests.
- Developed a cloud-based customer relationship management tool to improve the customer experience, and support customer lending and repayments.
- Embedded our new financial model into decision-making processes. See page 30 for more information.
- Increased access to quality development opportunities for colleagues.
- Successfully extended £169m of bank facilities and refinanced £40m of the sterling retail bond.

Challenges

- Inflationary pressure on customers' disposable incomes and costs.
- Interest rate rises impacted the cost of funding.

2023 priorities

- Continue to support our customers during challenging economic times.
- Successfully execute our strategy to support financial inclusion and deliver further growth.
- Maintain strict control of costs and drive operational and structural cost efficiencies.

Strategic KPIs

1.7m
Customers

14%
Year-on-year closing receivables growth

51.9%
Revenue yield

8.6%
Impairment rate

60.9%
Cost-income ratio

£77.4m
Profit before tax

European home credit

2022 progress against strategic priorities

- Launched a new credit card offering in Poland.
- Increased customers choosing hybrid credit propositions in Poland.
- Began testing a retail point of sale partnership in Romania to support new customer acquisition.
- Launched ProviGo customer mobile app in Poland.
- Extended value-added services offering including an online education package.

Challenges

- The war in Ukraine weakened demand in the first quarter of the year.
- Proactive tightening of credit scoring from the fourth quarter in light of the cost-of-living crisis.
- Introduction of tighter rate cap in Poland in December 2022 and new affordability rules from May 2023.
- Temporary debt repayment moratorium in Hungary expired in December 2022.

2023 priorities

- Transition our Polish business serving customers with our new credit card proposition.
- Launch digital and hybrid offerings in Romania.
- Focus on customer experience.

Strategic KPIs

784,000
Customers

14%
Year-on-year closing receivables growth

42.5%
Revenue yield

0.7%
Impairment rate

64.3%
Cost-income ratio

£65.6m
Profit before tax

Mexico home credit

2022 progress against strategic priorities

- Continued strong growth momentum.
- Grew the customer representative network by 660 agencies to maximise customer reach.
- Opened Northwest region with a potential target market of 1.4m consumers in our segment.
- Digitised value-adding elements of the customer journey to reduce the time taken to accept applications and serve loans to customers.
- Began testing a retail point of sale partnership to support new customer acquisition.

Challenges

- Covid-19 pandemic impacted operations early in 2022.

2023 priorities

- Continue to expand geographic footprint.
- Maximise synergies with IPF Digital in Mexico.
- Extend value-added services and insurance products.

Strategic KPIs

696,000
Customers

14%
Year-on-year closing receivables growth

88.2%
Revenue yield

31.6%
Impairment rate

51.1%
Cost-income ratio

£17.7m
Profit before tax

IPF Digital

2022 progress against strategic priorities

- Successfully rebuilding the receivables portfolio post-pandemic.
- Upgraded our mobile wallet offering in Estonia and launched it in Lithuania and Latvia.
- Increased the number of customers taking our hybrid proposition in Mexico.
- Strong collect-out performances in Finland and Spain where the businesses are being closed.

Challenges

- The war in Ukraine weakened demand in the first quarter of the year.
- Proactive tightening of credit scoring from the fourth quarter in light of the cost-of-living crisis.
- Introduction of tighter rate cap in Poland in December 2022 and new affordability rules from May 2023.

2023 priorities

- Develop mobile wallet to attract customers in Mexico.
- Improve the process by which applications lead to credit acceptance, and further personalise our digital service.
- Develop value-added services.
- Complete Finland and Spain collect-out operations.

Strategic KPIs

253,000
Customers

14%
Year-on year-closing receivables growth

45.4%
Revenue yield

10.1%
Impairment rate

57.2%
Cost-income ratio

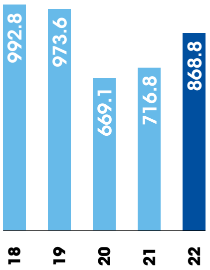
£8.8m
Profit before tax

Key performance indicators

Financial

Closing receivables

£868.8m



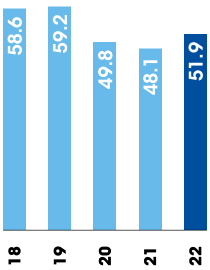
What we measure: The closing amounts receivable from customers translated at constant exchange rates.

Why it's 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 14% in 2022 driven by excellent execution of our strategy to rebuild post-pandemic. Growth in closing receivables will be relatively modest in 2023 as we transition the Polish business to meet the requirements of the new lower rate cap.

Revenue yield

51.9%



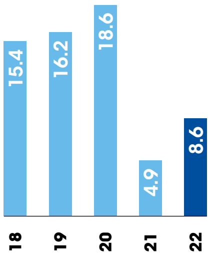
What we measure: Revenue divided by average gross receivables.

Why it's important: This metric reflects the revenue we earn from receivables and the amounts charged to our customers. It is an important measure in ensuring our pricing is fair and appropriate to deliver our target returns.

How we performed: Revenue yield strengthened in 2022 reflecting stronger growth in Mexico, improved repayment performance, selective price increases and a reduction in promotional activity. In 2023, we expect revenue yield to improve towards our medium-term target of 53% to 56%.

Impairment rate

8.6%



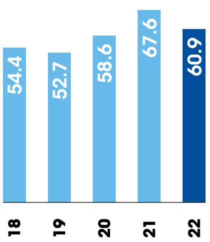
What we measure: Impairment as a percentage of average gross receivables before impairment provision

Why it's important: Profitability is maximised by optimising the balance between growth and credit quality. Impairment rate helps us assess the amount of principal we are unable to collect.

How we performed: The Group impairment rate remains lower than normal benefiting from improved credit quality, strong debt sale activity and central collections. We expect the rate to rise to around 14% to 16% as we regrow the business and the Covid-19 period flows out of the calculations.

Cost-income ratio

60.9%



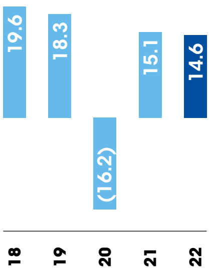
What we measure: The direct expenses of running the business including customer representatives' commission as a percentage of revenue.

Why it's 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 ratio improved as we maintained stringent focus on costs while investing in growth. We are continuing to drive efficiencies through technology and expect the ratio to improve within a range of 52% to 54% in the medium term.

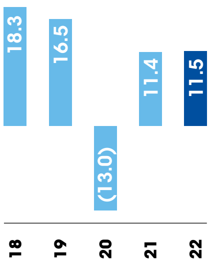
Pre-exceptional return on required equity

14.6%



Pre-exceptional return on equity

11.5%



What we measure: RORE is pre-exceptional profit after tax divided by average required equity of 40% of receivables. ROE is pre-exceptional profit after tax divided by average equity.

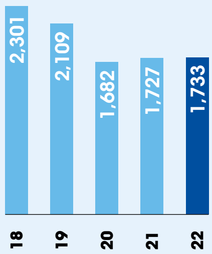
Why it's important: RORE and ROE are good measures of overall returns for shareholders. We target 15% to 20% as this is a return which we consider to be sustainable and balances the needs of all our stakeholders.

How we performed: RORE and ROE are lower than our target range of 15% to 20%. ROE is lower than RORE due to the additional capital held above our target level of 40%. We expect both measures to reduce modestly in 2023 as we transition the Polish business to the new lower TCC cap but expect to rebuild in 2024 and deliver our target returns in 2025.

Non-financial

Customers

1.7m



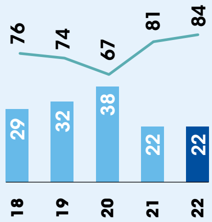
What we measure: Total number of customers across the Group.

Why it's important: Customer numbers demonstrate level of financial inclusion and our scale in our markets.

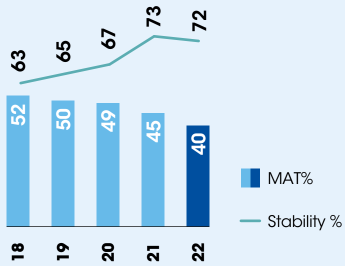
How we performed: In 2022, customer numbers increased by 0.3%. Excluding Finland and Spain where we are collecting out the businesses, customer growth in 2022 was 1.9%.

Employee and customer representative turnover and stability*

Employees



Customer representatives



What we measure: Moving annual total (MAT) is the total leavers in the last 12 months divided by the average headcount in the same period. Stability is the number of employees with more than 12 months' service compared to the corresponding number 12 months ago.

Why it's important: Low and stable MAT correlates with providing high levels of customer service and strong employee and customer representative engagement. High levels of stability indicate that skills and experience are being retained, and support the maintenance of strong working relationships, which in turn supports high levels of customer service.

How we performed: Customer representative MAT continued to improve and stability was broadly constant driven by quality recruitment and development programmes to build their agency with us. The significant rightsizing we undertook during the Covid-19 pandemic in 2020 impacted employee MAT but we saw stabilisation in 2022 and expect it to improve in 2023. Employee stability continued to improve to high levels in 2022 indicating good colleague engagement, despite there being an active labour market.

Community investment**

£1.1m

What we measure: Total value of our contribution to supporting communities (cash donations, in kind donations, and colleague volunteering).

Why it's important: This investment demonstrates our contribution to the communities where we live and work.

How we performed: In 2022, we invested £1.1m in our communities which was focused on financial education, our flagship global initiative 'Invisibles' and the response to supporting people displaced by the war in Ukraine. Our focus in 2023 will be the expanding the Invisibles programme in our markets.

Customer recommendations (Net Promoter Score)

69

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

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

How we performed: Our Group Net Promoter Score at December 2022 was 69, and in line with the position in 2021. Our focus on 2023 will be on maintaining this strong score.

* Employee and customer representative turnover and stability has replaced retention in our non-financial reporting. Together they better determine the effectiveness of our people strategy and how well we serve our customers.

** Community investment is an integral part of purpose management reporting across the Group and has been included in our non-financial reporting for the first time.

Group performance review

We made further good progress against our strategy in 2022, delivering strong growth and a very good financial performance. Profit before tax increased by 14.3% to £77.4m and all our business divisions contributed profitable performances to the result.

Group performance

We delivered strong growth and a very good financial performance across the Group as we continued to execute well against our strategy in 2022. Profit before tax of £77.4m (2021: £67.7m) shows growth of 14.3% and reflects a strong recovery in lending post Covid-19 and a very good operational performance, despite the challenges of the macroeconomic landscape. Excluding the benefit of Covid-19 impairment provision releases of £32.0m from 2021 reported profits, underlying profit before tax grew 117% in 2022. An analysis of profits between our three trading divisions is set out below:

We play an important role in delivering financial inclusion, enabling people with limited borrowing options to access regulated credit in a responsible way. The successful execution of our growth strategy to rescale the business following the pandemic resulted in customer lending growth of 14% (at CER), driven by strong performances from all three divisions. This growth was achieved despite the Covid-19 restrictions earlier in the year, the impact of the war in Ukraine which resulted in softer demand in the first quarter of 2022 in Europe, and the challenging macroeconomic landscape which subsequently unfolded across the globe. Demand improved though the remainder of the year, although we continue to

		2021		Change	
	2022 £m	Reported £m	Underlying* £m	Reported %	Underlying* %
European home credit	**65.6**	54.5	33.9	20.4	93.5
Mexico home credit	**17.7**	18.4	10.7	(3.8)	65.4
IPF Digital	**8.8**	8.7	5.0	1.1	76.0
Central costs	**(14.7)**	(13.9)	(13.9)	(5.8)	(5.8)
Profit before taxation	**77.4**	67.7	35.7	14.3	116.8

* Prior to Covid-19 impairment provision releases of £32m in 2021 which have not been repeated in 2022.

The detailed income statement of the Group, together with associated KPIs is set out below:

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**1,733**	1,727	6	0.3	
Customer lending	**1,126.4**	982.1	144.3	14.7	13.7
Closing net receivables	**868.8**	716.8	152.0	21.2	14.2
Revenue	**645.5**	548.7	96.8	17.6	15.1
Impairment	**(106.7)**	(56.2)	(50.5)	(89.9)	(70.4)
Revenue less impairment	**538.8**	492.5	46.3	9.4	8.1
Costs	**(393.3)**	(370.8)	(22.5)	(6.1)	(4.4)
Interest expense	**(68.1)**	(54.0)	(14.1)	(26.1)	(26.8)
Reported profit before taxation	**77.4**	67.7	9.7	14.3	
Reported profit before taxation	**77.4**	67.7	9.7	14.3	
Covid-19 provision releases	**–**	(32.0)	32.0	n/a	
Underlying profit before taxation	**77.4**	35.7	41.7	116.8	
Revenue yield	**51.9%**	48.1%	3.8 ppts		
Impairment rate	**8.6%**	4.9%	(3.7) ppts		
Cost-income ratio	**60.9%**	67.6%	6.7 ppts		
Pre-exceptional EPS[1]	**20.8p**	18.8p	2.0 ppts		
Pre-exceptional ROE[1]	**11.5%**	11.4%	0.1 ppts		
Pre-exceptional RORE[1,2]	**14.6%**	15.1%	(0.5) ppts		

1. Prior to an exceptional tax credit of £10.5m in 2022.
2. Based on required equity to receivables of 40%.

take a conservative approach to lending and tightened our credit criteria across most of our geographies as a precautionary measure due to the significant increase in the cost of living for our customers. We remain very mindful of the impact of inflation on disposable incomes, particularly the significant increases in food, fuel and utility prices, and will continue to manage our credit settings to match the situation in each of our markets.

Our closing net receivables portfolio increased by £152m (14% at CER) to £869m at the end of 2022 as we continued to successfully execute our rebuild strategy. All three divisions delivered strong receivables growth, despite tightened credit criteria. As communicated at our third quarter update, we expect overall Group receivables growth in 2023 to be relatively modest as we transition our Polish business to the new lower TCC cap.

The Group's annualised revenue yield strengthened from 48.1% in 2021 to 51.9% in 2022, reflecting a combination of four factors: (i) the stronger growth in Mexico home credit which carries a higher yield; (ii) the reduction in customer accounts in stage 3 (which do not attract as much interest under IFRS 9) due to improved repayment performance post Covid-19; (iii) selective price increases, mainly in European home credit; and (iv) a reduction in promotional activity. These factors have been partially offset by an increase in rebates provided to customers in Poland. Based on our current product set and regulation, in the medium term, we expect the Group revenue yield to increase to within a range of 53% to 56% as Mexico home credit grows to represent a larger proportion of the Group's receivables book.

Having close relationships with our customers encourages a strong repayment ethos and is a core strength of the business. Combined with the responsible lending decisions we take when serving them, the quality of our loan portfolio continues to be good in all divisions. Customer repayments remained robust driven by solid operational execution, and this resulted in an annualised impairment rate of 8.6% (2021: 4.9%). This metric continues to be lower than pre-Covid-19 levels and has benefited from improved credit quality and strong execution on debt sale activity and post-charge off recoveries, delivering c. £15m more customer repayments than 2021. We expect our Group annualised impairment rate to rise to around 14% to 16% as we regrow the business and the Covid-19 period flows out of the calculations. Our balance sheet remains robust against the combined impact of cost-of-living increases and the aftereffects of Covid-19, with an impairment coverage ratio of 36.4% at the end of 2022 (2021: 37.8%). This compares with a pre-Covid-19 ratio of 33.5% at the end of 2019.

We continued to maintain a stringent focus on costs as we grew the business and as a result, the annualised cost-income ratio improved by 6.7 ppts year on year to 60.9% in 2022 (2021: 67.6%). We are continuing to drive process efficiency through investing in technology and we expect the cost-income ratio to reduce to within a range of 52% to 54% over the medium term as we achieve greater scale.

Reported EPS was 25.6p per share (2021: 18.8p), up 36% on 2021. Excluding an exceptional tax credit of £10.5m in 2022, EPS growth was 11%.

Our pre-exceptional RORE for 2022 of 14.6% (2021: 15.1%) is close to the lower threshold of our target level of 15% to 20%, reflecting the strong progress made in the year on rebuilding the Group following Covid-19. The Group's pre-exceptional

"Based on the leadership's successful execution of our growth strategy the Board is proposing a final dividend of 9.2 pence per share, resulting in full-year dividend growth of 15%."

ROE, based on actual equity, was 11.5% in 2022, up from 11.4% in 2021. We anticipate Group returns moderating in 2023 as we transition the Polish business to the new lower TCC cap but expect to rebuild in 2024 and deliver our target returns in 2025.

A strategy for growth

Our growth strategy focuses on delivering excellent service to our existing loyal customers and increasing our number of compelling product choices and channels to attract the next generation of consumers. Over the last 25 years we have built a family of lending products ranging from customer representative-managed loans through to digital instalment loans, revolving credit lines and mobile wallet products. We deploy a range of products across our nine markets tailored to meet both the preferences of our target customers and local regulatory requirements. As well as our credit products, we also provide additional value to our customers through the provision of customised insurances at much lower prices than our customers can obtain themselves.

We continued to successfully execute our strategy to support financial inclusion and deliver growth throughout 2022 and, as a result of our deep understanding of their needs, we remain in a strong position to support our customers even in these more difficult times.

In addition to navigating the impacts of the war in Ukraine and the resulting cost-of-living crisis in 2022, another significant hurdle arose with the introduction of a significantly lower, non-interest rate cap in Poland which was first proposed six years ago, and eventually came into force in December 2022. The new total cost of credit (TCC) legislation reduced the maximum non-interest fees that can be charged on a loan to 45% of the loan value, from 100% previously. Unaffected by these proposals is the ability for consumer credit lenders in Poland to continue to charge interest (currently 20.5% per annum), in addition to non-interest charges. The new legislation also includes new affordability rules and a requirement for nonbank financial institutions to be supervised by the Polish financial supervision authority, the Komisja Nadzoru Finansowego (KNF), which come into force in May 2023 and January 2024 respectively

To enable us to carry on serving our consumer segment in Poland, we have evolved our product offering to meet changing consumer needs and to prepare for the introduction of the new lower TCC. We are pleased with the progress we have made in diversifying our product range, which includes digital instalment loans, an expanded range of value-added services and the launch of a new credit card product in the third quarter of 2022. Developed specifically for our consumer segment, the credit card combines many features of an instalment loan with the added flexibility of a credit card. Our customer representatives remain at the core of our relationship with customers and will continue to visit their homes regularly to provide service and collect repayments. We have issued almost 10,000 cards and, encouragingly, the rollout is tracking ahead of our plans.

We also made further good progress throughout the Group against our other strategic objectives in 2022. In Mexico, where we are expanding our geographic footprint to capture the significant customer and lending growth potential in this market, we opened in Tijuana in northwest Mexico in July 2022, and will commence operations in Tampico located in the east of Mexico from March 2023. Our research indicates a target market of 1.7m consumers in our segment in these regions. We also increased our customer representative network by 660 agencies in Mexico, within or close to our existing geographic footprint.

In order to support people who apply for a digital loan but whose credit record is not strong enough to warrant a fully digital service, we increased the number of customers taking advantage of our hybrid product offering – a unique blend of customer representative and digital channels available in Poland and Mexico. Our mobile wallet is now available in three markets – Estonia, Latvia and Lithuania, and our retail point of sale partnership tests continue in Romania and Mexico. Following a successful test in Romania, we also invested in and began the rollout of a single, cloud-based customer relationship management (CRM) tool to improve the customer experience, as well as laying the foundation for future digital channels.

Environment, social and governance (ESG)

We have a very strong social purpose and are committed not only to supporting our customers by providing affordable and transparent credit in a responsible way but also striving to have a positive effect on all our stakeholders as we invest in promoting financial inclusion, developing the capabilities of our team who serve millions of customers and implementing our climate change strategy.

See pages 40 to 56 for more information

Regulatory update

As previously reported, a proposal to reduce the non-interest cost of credit cap in Poland was enacted in December 2022. The new legislation also includes new affordability rules which become effective in May 2023 and all non-bank financial institutions will be supervised by the Polish financial supervision authority, the KNF, from January 2024. See pages 16 and 25 for more information.

There have been no material updates on the EU's review of the Consumer Credit Directive or a revised draft law imposing a total cost of credit cap in Romania, details of which were included in our 2022 half-year results statement. We expect that a final compromise proposal on the Consumer Credit Directive will be published later in 2023.

In Hungary, the temporary Covid-19 debt repayment moratorium expired on 31 December 2022.

Outlook

Everyday we aim to provide underserved consumers with access to simple, personal, and affordable loans and insurances to help and protect them and their families. There is significant demand for affordable credit within our demographic and we see substantial and sustainable long-term growth opportunities through meeting the needs of more consumers with an increased choice of products and distribution channels.

2022 represented a very good year of operational execution and strong recovery following the Covid-19 pandemic. Both our European and Mexico home credit businesses are delivering our target returns of a RORE of around 20% whilst also delivering strong growth. IPF Digital is also very well placed to rebuild scale and deliver our target returns in the medium term. It is very pleasing that our digital businesses in Mexico and Australia both delivered profit contributions for the first time in 2022.

In 2023, our focus will be on transitioning our Polish business to the new lower TCC, rolling out mobile wallet and continuing the very successful territory extension plan in Mexico home credit. We will also maintain strict control of costs and we see further opportunities to drive operational and structural cost efficiencies.

We have a strong balance sheet and robust funding position with headroom on our funding facilities to support our business plans into 2024. As previously outlined, we expect overall Group receivables growth in 2023 to be more modest and our returns to moderate as we transition the Polish business under the new lower TCC. We are very encouraged by the roll-out of the new credit card which is tracking above our initial expectations, and we remain focused on rebuilding returns in 2024 and then delivering target returns of 15% to 20% from 2025 onwards.

All three business divisions have started 2023 well and we have seen no discernible impact on customer demand or repayment behaviour from the increases in the cost of living. Notwithstanding this, we continue to adopt a cautious approach to credit. We have a strong track record as a resilient business through economic cycles and are well positioned to respond quickly if we see any material changes while continuing to support our customers through more difficult times.

European home credit

European home credit performed very well in 2022, delivering a profit before tax of £65.6m (2021: £54.5m) up 20.4%, reflecting strong execution against our recovery plan. Excluding the benefit of Covid-19 impairment provision releases of £20.6m from 2021 reported profits, underlying profit before tax grew 93.5% in 2022.

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**784**	810	(26)	(3.2)	
Customer lending	**637.0**	599.2	37.8	6.3	9.9
Closing net receivables	**501.0**	425.9	75.1	17.6	14.4
Revenue	**317.5**	284.7	32.8	11.5	14.8
Impairment	**(5.2)**	1.6	(6.8)	(425.0)	(533.3)
Revenue less impairment	**312.3**	286.3	26.0	9.1	12.5
Costs	**(203.9)**	(197.8)	(6.1)	(3.1)	(5.8)
Interest expense	**(42.8)**	(34.0)	(8.8)	(25.9)	(30.5)
Reported profit before taxation	**65.6**	54.5	11.1	20.4	
Reported profit before taxation	**65.6**	54.5	11.1	20.4	
Covid-19 provision releases	**–**	(20.6)	20.6	n/a	
Underlying profit before taxation	**65.6**	33.9	31.7	93.5	
Revenue yield	**42.5%**	40.2%	2.3 ppts		
Impairment rate	**0.7%**	(0.3%)	(1.0) ppts		
Cost-income ratio	**64.3%**	69.5%	5.2 ppts		
Pre-exceptional RORE	**21.3%**	20.7%	0.6 ppts		

Despite the challenging trading environment in Europe and ongoing concerns about the war in Ukraine, we delivered a 10% increase in customer lending in 2022. This was despite a decline in lending of 1.6% in the first quarter of the year. This strong performance reflects steady growth in demand for credit from the second quarter onwards, and a very good operational performance in all four markets despite continued tight credit standards and the increase in the costs of living for consumers.

Customer numbers reduced modestly by 3% to 784,000, reflecting the weaker demand during the first quarter and our decision to proactively tighten our credit settings for consumers with higher credit risk profiles as a precautionary measure in the fourth quarter of the year. Customer repayment performance in the early months of 2023 remains robust.

Closing net receivables grew by 14% (at CER) to £501m, reflecting the strong growth in customer lending. This, in turn, supported revenue growth of 15% (at CER). The revenue yield improved from 40.2% to 42.5%, reflecting: (i) the reduction in customer accounts in stage 3 (which do not attract as much interest under IFRS 9) due to improved repayment performance post Covid-19; and (ii) actions to bolster the revenue yield, including modest price increases in all four countries and reduced promotional activity.

These positive impacts to the yield were partly offset by the impact of changes in rebates in Poland which means that we refund more of the service charge back to customers when they repay early (c. £12m impact in 2022).

Customer repayment performance during the year was strong which, together with tight credit standards, delivered an impairment rate of 0.7%, up from a credit of 0.3% in 2021. The 2021 metric benefited from Covid-19 provision releases of £20.6m and, excluding this provision release the metric would have been 2.5%. The underlying improvement in the year reflects improved credit quality and strong execution on debt sale and centralised post-charge off recoveries which delivered approximately £15m more in customer repayments than the relatively low level achieved in 2021. We will continue to maintain tight credit standards in light of the ongoing uncertainty regarding the cost-of-living crisis.

The cost-income ratio showed a marked reduction of 5.2 ppts year on year to 64.3% (2021: 69.5%), reflecting the growth in lending and continued tight cost control across each of our businesses. We continue to drive more efficient processes and deliver greater synergies across our four countries, including through the deployment of technology.

The pre-exceptional RORE in European home credit strengthened from 20.7% in 2021 to 21.3% in 2022, as a result of strong growth, a sound impairment performance and tight control of costs. This is in line with the Group's expected returns from each of our divisions. We expect European home credit returns to be at a lower level in 2023 and 2024 as we transition our Polish business to the new lower TCC.

In advance of the new lower TCC in Poland being enacted in December 2022 and as part of our strategy to enhance our product offering to existing and new customers, we launched our first credit card proposition in Poland. The new offering features a revolving credit limit and credit card that provides greater flexibility to our customers who can use it for both online and offline transactions. Funds can be withdrawn from ATMs or disbursed through customer representatives, and it is envisaged that repayments will, in the vast majority of cases, be collected by a customer representative, thus retaining the unique relationship they have with their customers. We have issued almost 10,000 cards to customers and expect to build the new portfolio to a broadly similar customer base that we have always served over the next two to three years. We expect the receivables book in Poland to reduce by c. 25% in 2023, resulting in an overall decline in European home credit receivables, before substantially recovering through 2024. We estimate that the impact of the transition to our credit card product will reduce European home credit profits by between £15m to £20m in each of 2023 and 2024, after which the Polish business and European home credit will return to delivering our target returns of approximately 20% RORE.

More widely in European home credit, we will continue to expand our remote digital offering in the Czech Republic and examine the feasibility of a digital offering wherever we have a home credit business. We will also continue to closely monitor the impact of the macroeconomic uncertainty on customers' disposable incomes and their demand for credit, and will continue to maintain our strong credit standards.

Mexico home credit

Mexico home credit delivered strong growth and a very good operational performance, reporting profit before tax of £17.7m (2021: £18.4m). Excluding the benefit of Covid-19 impairment provision releases of £7.7m in 2021, underlying profit before tax grew 65.4%.

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**696**	654	42	6.4	
Customer lending	**257.4**	194.2	63.2	32.5	16.8
Closing net receivables	**158.5**	117.6	40.9	34.8	14.2
Revenue	**210.9**	146.0	64.9	44.5	27.4
Impairment	**(75.5)**	(33.8)	(41.7)	(123.4)	(91.6)
Revenue less impairment	**135.4**	112.2	23.2	20.7	7.3
Costs	**(107.8)**	(87.2)	(20.6)	(23.6)	(10.7)
Interest expense	**(9.9)**	(6.6)	(3.3)	(50.0)	(32.0)
Reported profit before taxation	**17.7**	18.4	(0.7)	(3.8)	
Reported profit before taxation	**17.7**	18.4	(0.7)	(3.8)	
Covid-19 provision releases	**–**	(7.7)	7.7	n/a	
Underlying profit before taxation	**17.7**	10.7	7.0	65.4	
Revenue yield	**88.2%**	81.5%	6.7 ppts		
Impairment rate	**31.6%**	18.9%	(12.7) ppts		
Cost-income ratio	**51.1%**	59.7%	8.6 ppts		
Pre-exceptional RORE	**19.2%**	27.1%	(7.9%) ppts		

Mexico home credit is delivering strong returns in a market with high demand for credit and significant growth potential. Our growth strategy to capture Mexico's potential centres on increasing penetration within our existing footprint and extending into new regions. We are also improving the customer experience and leveraging synergies with IPF Digital. We opened 660 new agencies in 2022 within or close to our current territory and launched a new region in the Northwest of Mexico (Tijuana). We will also open a new region in Tampico in March 2023. The investments we made in expanding our reach together with good customer demand supported a 17% increase (at CER) in customer lending year on year and a 6% rise in customers to 696,000.

Closing net receivables increased by 14% (at CER) to £158.5m which drove a significant increase in revenue of 27% year on year (at CER). The revenue yield improved from 81.5% in 2021 to a more normalised level of 88.2% in 2022, reflecting the reduction in customers in stage 3 which attract less interest under IFRS 9. During the peak of Covid-19, approximately 50% of customers were in stage 3 compared with just under 30% at 2022.

At the same time as delivering significant growth, we continued to maintain robust customer repayments. The impairment rate increased by 12.7 ppts to 31.6% year on year reflecting the impact of IFRS 9 on a strongly growing receivables book as well as Covid-19 provisions released in 2021 no longer being included in the calculation (2021: £7.7m). The rate was marginally above our target level for Mexico home credit of approximately 30%. Customer repayments in January 2023 have been strong and we expect to bring the impairment rate down to target levels in 2023.

In line with our growth strategy, we continued to invest in expanding our customer representative network and geographic footprint into the Northwest of Mexico which resulted in costs in 2022 increasing by 10.7% (at CER). However, the cost-income ratio improved by 8.6 ppts to 51.1% year on year (2021: 59.7%) demonstrating the benefit of operational leverage in this growing business and good cost control.

Mexico home credit delivered a pre-exceptional RORE of 19.2% (2021: 27.1%), only marginally below our upper target of 20%, despite delivering significant growth and opening a new region in Tijuana. Investing in sustainable growth whilst maintaining target returns remains our key focus.

Our Mexico home credit business offers very exciting and significant long-term prospects. By successfully delivering on our strategy, we will continue to deliver sustainable growth to ensure consistent returns. We will enhance territory management to maximise customer reach within the current geographic footprint and selectively digitise the customer journey. We will also continue to build on the synergies developed with IPF Digital which is helping us financially include more people in Mexico.

IPF Digital

IPF Digital delivered very positive growth momentum in all our ongoing markets and reported a profit before tax of £8.8m (2021: £8.7m). Excluding the benefit of Covid-19 impairment provision releases of £3.7m in 2021, underlying profit before tax grew by 76.0% in 2022.

	2022 £m	2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**253**	263	(10)	(3.8)	
Customer lending	**232.0**	188.7	43.3	22.9	21.5
Closing net receivables	**209.3**	173.3	36.0	20.8	13.9
Revenue	**117.1**	118.0	(0.9)	(0.8)	(1.3)
Impairment	**(26.0)**	(24.0)	(2.0)	(8.3)	(6.6)
Revenue less impairment	**91.1**	94.0	(2.9)	(3.1)	(3.4)
Costs	**(67.0)**	(72.0)	5.0	6.9	8.0
Interest expense	**(15.3)**	(13.3)	(2.0)	(15.0)	(15.0)
Reported profit before taxation	**8.8**	8.7	0.1	1.1	
Reported profit before taxation	**8.8**	8.7	0.1	1.1	
Covid-19 provision releases	**–**	(3.7)	3.7	n/a	
Underlying profit before taxation	**8.8**	5.0	3.8	76.0	
Revenue yield	**45.4%**	46.4%	(1.0) ppts		
Impairment rate	**10.1%**	9.4%	(0.7) ppts		
Cost-income ratio	**57.2%**	61.0%	3.8 ppts		
Pre-exceptional RORE	**6.9%**	7.5%	(0.6) ppts		

Our strategy to grow our IPF Digital business reflects increasing demand from consumers who are looking for end-to-end digital services, and we are rebuilding receivables to gain scale and deliver our target returns following the closure of our businesses in Finland in 2020 and Spain in 2021. All six ongoing countries of Estonia, Latvia, Lithuania, Poland, Mexico and Australia and our two collect-out countries of Finland and Spain, delivered a profit contribution in 2022. Very pleasingly, 2022 was the first year of Mexico and Australia moving into profit.

We saw very strong demand for credit in 2022 and delivered a 22% increase in customer lending year on year with Mexico (67%) and Australia (36%) growing particularly strongly, and Poland (26%) and the Baltic markets (22%) also delivering good growth. We are now serving 253,000 customers and excluding the impact of the portfolio collect outs in Finland and Spain, customer numbers increased by 7%, mainly driven by the strong growth in Mexico and Australia.

The strong growth in lending resulted in closing net receivables ending the year at £209m, an increase of 14% (at CER). The growth was delivered despite a £12m reduction in receivables in Finland and Spain, where the collect-outs have exceeded expectations. Excluding the collect-out portfolios, net receivables growth of 22% (at CER) was delivered despite continued tight credit standards, with Mexico (63%) and Australia (37%) delivering the most significant growth whilst the Baltic markets also delivered growth of 13%. The receivables book in Poland showed a modest reduction as we closed one of our two brands to improve returns.

The revenue yield decreased marginally from 46.4% in 2021 to 45.4% in 2022. This reflects the impact of a combination of factors: (i) a tighter rate cap in Latvia; (ii) the reduction in higher yielding Finland receivables during the collect-out; (iii) the impact of increased competition which has resulted in price reductions in Lithuania; and (iv) the growth in Australia which is relatively lower yielding. These adverse variances have been partly offset by the growth in Mexico which has a higher revenue yield.

The impairment rate increased marginally from 9.4% in 2021 to 10.1% in 2022. This reflects two factors. Firstly, the £3.7m release of Covid-19 provisions benefited the impairment rate in 2021 and excluding this release, the impairment rate in 2021 would have been 10.7% showing an underlying improvement of 0.8ppts. The improvement mainly reflects the strong collect-out performance in Finland and Spain which have exceeded expectations.

Although we continued to invest in developing our product offering and marketing to attract new customers and build scale, tight control on costs delivered an 8% (at CER) reduction in costs during 2022 and this was reflected in the cost-income ratio which decreased by 3.8 ppts to 57.2% (2021: 61.0%). We expect the cost-income ratio to further improve as we continue to rebuild the business.

IPF Digital's pre-exceptional RORE in 2022 was 6.9%, little changed from 7.5% in 2021 which benefited from the release of Covid-19 provision of £3.7m. Although IPF Digital currently lacks scale following Covid-19 and the closure of Finland and Spain, we have strong organic growth opportunities in our existing markets, particularly Mexico and Australia, and we will continue to consider inorganic opportunities to deliver scale and increase returns to our target levels. In 2023, we will continue to extend the reach of our mobile wallet in Latvia, Estonia and Lithuania and we will also continue to expand the new hybrid lending opportunities that our digital and home credit businesses are partnering on in Mexico as well as launching a modified mobile wallet offering there.

Continued strong financial performance delivering returns to shareholders

"The Group continued to deliver a strong return to growth in 2022 driven by an excellent operational performance whilst maintaining careful management of credit settings."

Gary Thompson
Chief Financial Officer

The Group continued to deliver a strong return to growth in 2022 driven by an excellent operational performance whilst maintaining careful management of credit settings. We continued to maintain a conservative balance sheet to mitigate any potential deterioration in the macroeconomic environment.

I am delighted to present my first Financial review as Chief Financial Officer of the Group. Since I joined the Group in April, I have been impressed with the passion, energy and quality of all of our colleagues towards our purpose of building a better world through financial inclusion. I am very excited by the excellent opportunities we have to grow the business, through a broadened product offering, in order to deliver a sustainable business for all of our stakeholders.

One of my first objectives has been to formalise our financial model and to embed it into all of our business decisions, performance analysis and planning. Some aspects of this model are not new, but I believe it is very important to clearly articulate what we are aiming to achieve, both internally and externally. We live and breathe by this financial model, and we will not undertake activity which is not consistent with it. It underpins both our strategy and, very importantly, our purpose.

Financial model

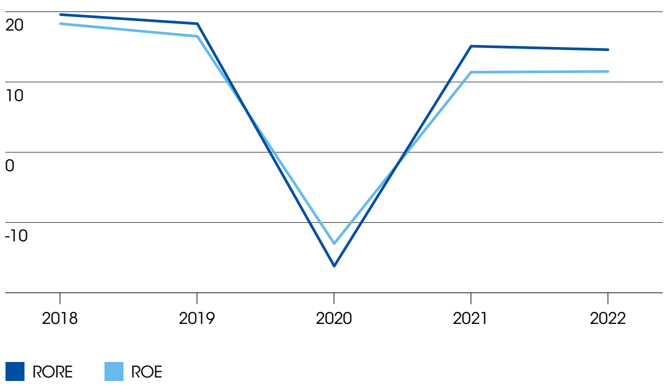
Our business is well managed and operates with strong ethical and financial disciplines. As we navigate our future growth opportunities and business choices, we have formalised our financial model to underpin our strategy and balance the needs of our various stakeholders including customers, colleagues, regulators, shareholders and debt providers. We aim to deliver sustainable earnings whilst maintaining a strong balance sheet, adopting a progressive dividend policy and investing in the future growth of the business. Our financial model is as follows:

1. RORE

The first, most integral part of our model is to deliver a target RORE of between 15% and 20%. We believe that returns materially above this range would not balance the needs of all of our stakeholders in delivering our purpose of building a better world through financial inclusion.

We calculate RORE as profit after tax over the average required equity of 40% of receivables. This allows us to ensure comparability between divisions and is more consistent with the financial model which assumes a 40% equity to receivables ratio. We will also continue to disclose our ROE, but only on a Group basis. Here we set out the RORE of the Group between 2018 and 2022:

Group pre-exceptional returns %



The Group's RORE was adversely impacted by the reduction in scale of the business during Covid-19 in 2020 and 2021 as we significantly tightened underwriting in response to the pandemic. Despite rightsizing of the cost base, the reduction in Group receivables of over £300m in 2020 has meant that the Group has been sub-scale throughout the period 2020 to 2022. Through strong execution of our rebuilding strategy, it is pleasing that we rebuilt the receivables book by £200m through 2021 and 2022 and the RORE of 14.6% in 2022 is only just below our minimum threshold, notwithstanding the pressure on funding costs caused by the war in Ukraine and the cost-of-living crisis.

The Group's pre-exceptional ROE, based on actual equity, was 11.5% in 2022, up from 11.4% in 2021.

We anticipate Group returns moderating in 2023 as we transition the Polish business to the new lower TCC cap but expect to rebuild returns in 2024 and deliver the lower threshold return target of 15% in 2025. We target each of our businesses to deliver a RORE of 20%+ and in the medium term we anticipate delivery of a Group RORE closer to 20%.

We firmly believe each of our businesses are capable of delivering a 20% RORE and the RORE by division is set out below:

	2022	2021
European home credit	**21.3%**	20.7%
Mexico home credit	**19.2%**	27.1%
IPF Digital	**6.9%**	7.5%

European and Mexico home credit are already delivering a RORE around the 20% threshold we set for each division. IPF Digital remains sub-scale following the closure of Finland and Spain and the impact of Covid-19. Our focus is on regaining scale through strong organic growth opportunities in our existing markets, particularly in Mexico and Australia, and we will also consider inorganic opportunities to deliver scale and increase returns.

2. Distribution of earnings

The delivery of a RORE of 15% supports the distribution of 40% of our post-tax earnings. A RORE of nearer 20% would either allow us to distribute more than 40% of our earnings to shareholders and/or deliver additional receivables growth (see 3. Receivables growth below).

Our total dividend of 9.2 pence per share in 2022 represents a pre-exceptional payout ratio of 44%. We expect to continue paying in excess of 40% of our earnings through 2023 and 2024 as we continue to regain scale following Covid-19 and as we transition the Polish business to the new lower TCC cap before returning towards our target level from 2025 onwards.

3. Receivables growth

Returning capital of 40% of post-tax earnings allows us to fund receivables growth in the following year by up to 10%. If we grow in excess of 10% we will utilise any additional capital resources over our target capital base. If we expect to grow at less than 10% we will either retain capital or increase the capital return to shareholders above our 40% minimum threshold.

In 2023, we saw strong receivables growth of 14% as we continued to rebuild scale following Covid-19. This growth is greater than 10% and, as a result, we utilised part of our additional capital during 2023.

4. Equity to receivables ratio

A target equity to receivables ratio of 40% is our current view of an appropriate balance sheet, offering plenty of security both in good and more difficult times. Our equity to receivables ratio at the end of 2022 was 51%, unchanged from 2021. We intend to use our additional capital above our target level of 40% as we:

i. rebuild receivables levels to pre-Covid-19 levels and rebuild our RORE above 15%;
ii. maintain a progressive dividend policy; and
iii. provide balance sheet strength as we navigate the cost-of-living crisis and transition the Polish business through 2023 and 2024 to the new lower TCC cap.

Changes in terminology and key performance indicators (KPIs)

As part of the formulation of our financial model, we have made some changes to terminology and KPIs. IPF is a far broader organisation than the traditional home credit business it was when it was established 25 years ago. As such, it is important that our reporting terminology better reflects the Group's broader distribution channels, including a greater level of digital transactions, and to better align with consumer finance lenders more generally.

In conjunction with this, we have changed the calculation of a number of KPIs which were established when the Group was solely a home credit business. The new KPIs are also more consistent with current accounting standards (principally IFRS 9) and are more aligned to other consumer finance lenders. The changes we have made, and their impact on 2019 (pre-Covid-19) and 2022, are set out below:

KPIs supporting the financial model

Our financial model is supported by a stringent focus on the revenue yield, impairment rate and cost-income ratio being delivered by each of our businesses together with the Group funding rate and tax rate.

The table below shows the associated ranges for each of these KPIs to deliver our minimum RORE of 15% together with the threshold level for funding, tax and the equity to receivables ratio. We have included the metrics for 2022 to demonstrate the movement we need to undertake to progress towards our target financial model, as well as the pre-pandemic metrics at the end of 2019.

	Targets	**2022**	2019
Equity to receivables	40%	**51%**	45%
Revenue yield	53%-56%	**51.9%**	59.2%
Impairment rate	14%-16%	**8.6%**	16.2%
Cost-income ratio	52%-54%	**60.9%**	52.7%
Funding rate	10%	**13.3%**	9.0%
Tax rate	40%	**40%**	37%
RORE	**15%+**	**14.6%**	**18.3%**

	Previous KPI*	**New KPI***
Revenue yield	Revenue divided by average net receivables after impairment provision **2019 – 90.1%** **2022 – 83.3%**	Revenue divided by average gross receivables before impairment provision **2019 – 59.2%** **2022 – 51.9%**
Impairment rate	Impairment as a percentage of revenue **2019 – 27.4%** **2022 – 16.5%**	Impairment as a percentage of average gross receivables before impairment provision **2019 – 16.2%** **2022 – 8.6%**
Cost-income ratio	Costs excluding customer representatives commission divided by revenue **2019 – 43.6%** **2022 – 48.9%**	All costs divided by revenue **2019 – 52.7%** **2022 – 60.9%**

* Both the previous KPIs and the new KPIs are calculated on a rolling 12-month basis.

Revenue yield – Our target range for revenue yield is 53% to 56% which is based on our current product structure and today's regulatory landscape. This is a lower, more sustainable, yield than the equivalent Group revenue yield of 59% in 2019 and reflects a number of factors:

- The change in rebates in Poland in 2020 which means that we refund more of the service charge back to customers when they repay their loans early;
- Changes in the revenue yield at IPF Digital due to the closure of Finland, which delivered a relatively high yield, and also reductions in the level of price caps in the Baltics; and
- Some overall price reduction in European home credit over the last three years due to changes in regulation and in response to competition.

The Group's revenue yield strengthened from 48.1% in 2021 to 51.9% in 2022 reflecting a combination of four factors: (i) the stronger growth in Mexico home credit which carries a higher yield; (ii) the reduction in customer accounts in stage 3 (which do not attract as much interest under IFRS 9) due to improved repayment performance post Covid-19; (iii) selective price increases, mainly in European home credit; and (iv) a reduction in promotional activity. These positive impacts have been partially offset by an increase in rebates provided to customers in Poland when they settle their accounts early and the impact of the moratorium in Hungary, which expired in December 2022.

In the medium term, we expect the Group revenue yield to increase to within our target range of 53% to 56%, based on our current product set and regulation, as Mexico home credit grows to represent a larger proportion of the Group's receivables book.

Impairment rate – We have a target range of between 14% and 16% for our impairment rate, which is comparable with 2019.

Having close relationships with our customers to encourage repayment is a core strength of our business and, combined with the responsible lending decisions we take when serving them, the quality of our loan portfolio continues to be excellent in all divisions. Customer repayments remained robust in 2022 driven by solid operational execution, and this resulted in an annualised impairment rate of 8.6% (2021: 4.9%). This metric continues to be lower than normal levels and has benefited from improved credit quality and strong execution on debt sale activity and post charge-off recoveries which delivered c.£15m more gains than the relatively low level in 2021. We expect our Group annualised impairment rate to rise to around 14% to 16% as we regrow the business and the Covid-19 period flows out of the calculations.

"The returns in 2022 improved materially across all reporting segments with all businesses contributing profitable performances."

Cost-income ratio – Cost efficiency is a strong focus in the business. Our target cost income ratio is a range of between 52% and 54%, which is consistent with 2019 when the Group was at scale. We continue to maintain a stringent focus on costs as we grow the business and mitigate the high inflationary environment. As a result, the cost-income ratio improved by 6.7 ppts year on year to 60.9% in 2022 (2021: 67.6%). We are continuing to drive process efficiency through investing in technology and we expect the cost-income ratio to reduce to within our target range of 52% to 54% over the medium term as we achieve greater scale. Indeed, it is our aspiration to reduce our target range in due course to around 50%.

Funding rate – After taking account of the cost of hedging, 10% is around the funding rate we were at prior to the very volatile market conditions we have seen in 2022. The funding rate of 13.3% in 2022 is significantly higher than this rate, due to increased interest rates in our markets as a result of the cost-of-living crisis and increased hedging costs. We expect the higher funding costs to persist for the short to the medium term and as a result we are heavily focused on bolstering the revenue yield and cost control to mitigate the impact of higher funding costs. We are also actively exploring diversification of our funding sources.

Tax rate – We consider a tax rate of around 40% to be reflective of the Group's structure and we consider this to be our normalised rate, albeit we continue to ensure that we are as tax efficient as possible. Our tax rate in 2022 was 40%, in line with our financial model.

The target KPIs, taken together, will deliver our target RORE of 15% to 20%. Each of our countries has a different income statement composition reflecting their credit risk and their respective regulatory, funding and tax environments. As mentioned earlier, we believe that each of our businesses is capable of delivering a target RORE of 20%, and we have established similar KPI targets for each territory. We will manage each business to deliver these targets in order to deliver the target Group financial model.

Taxation

The pre-exceptional taxation charge on the profit for 2022 is £31.1m, which represents an effective tax rate for the year of approximately 40% (2021: 38%). The higher tax rate in 2022 reflects the normalisation of impairment charges in Poland following Covid-19. In Poland, we only get a small deduction for bad debt tax relief.

The full-year results reflect a net exceptional tax credit of £10.5m comprising three items:

1. Following a favourable Supreme Administrative Court decision, the Group's Polish subsidiary successfully obtained a Ministry of Finance ruling confirming the tax deductibility of certain expenses linked to intra-group transactions in respect of years 2018 onwards. These expenses had originally been disallowed following the introduction of new legislation with more restrictive rules during 2017. The returns for years 2018 to 2021 have been re-filed with the tax office along with claims for repayment of £27.4m, of which £26m has been received in 2022. A further benefit is estimated at £3.5m comprising a reduction in the 2022 corporate income tax liability of £1.5m and a reduction in subsequent years' liabilities of £2m. As a result, an exceptional tax credit of £30.9m has been recognised in 2022, with £1.4m reflected as a current tax asset (in respect of claims submitted but not refunded at the year end) and £2m held as a deferred tax asset on the balance sheet.
2. An exceptional tax charge of £15.3m has arisen following the derecognition of the non-current asset previously held in respect of the Group's finance company arrangements. This stems from the decision by the General Court of the European Union in June 2022 confirming the European Commission's earlier decision that the United Kingdom's Group Financing Exemption constitutes partial illegal state aid.
3. An exceptional tax charge of £5.1m has been reflected relating to the Hungarian government's announcement in June 2022 which introduced a series of temporary taxes aimed at raising revenue to support the armed forces in view of the ongoing war in Ukraine and protect households against rising energy costs. The new tax package, which was passed by Government Decree, included a new "extra profit special tax" chargeable on the financial sector including non-bank financial institutions, and which is payable in respect of 2022 and 2023 only. This new tax will increase the taxes payable by the Group's Hungarian subsidiary by £5.1m for 2022, with an estimated further £6m payable in respect of 2023.

Earnings per share (EPS)

Statutory EPS of 25.6 pence in 2022, showed growth of 36.2% compared with 18.8 pence per share in 2021.

Excluding the impact of the exceptional tax credit in 2022 of £10.5m, as set out in Taxation above, pre-exceptional EPS grew by 10.6% from 18.8 pence in 2021 to 20.8 pence in 2022, reflecting very good operational delivery of the Group's post Covid-19 rebuild strategy notwithstanding an increased cost of funding and the impact of the cost-of-living crisis. This growth in pre-exceptional EPS is lower than the 14.3% increase in reported profit before tax due to the higher tax rate in 2022.

Dividend

Based on the leadership's successful execution of our growth strategy, the Board is pleased to declare a 12.1% increase in the final dividend to 6.5 pence per share. This is in line with the Group's progressive dividend policy and brings the full-year dividend to 9.2 pence per share (2021: 8.0 pence per share), an increase of 15%% on 2021 and representing a pre-exceptional payout rate of 44% (2021: 43%). This is a higher payout rate than the 40% minimum rate within our financial model and, as previously indicated, the Board is utilising its additional capital above our 40% equity to receivables ratio to payout a higher rate whilst the business rebuilds both scale and our returns to the target range of between 15% and 20%.

Subject to shareholder approval, the final dividend will be paid on 5 May 2023 to shareholders on the register at the close of business on 11 April 2023. The shares will be marked ex-dividend on 6 April 2023.

Balance sheet, treasury risk management and funding

Balance sheet

We continue to maintain a very conservatively capitalised balance sheet, a strong funding position and robust financial risk management.

At the end of 2022, our equity to receivables ratio was 51% (2021: 51%) and this compares with our target of 40%. The ratio has remained flat in 2022 despite: (i) receivables growth being greater than 10% in our financial model; (ii) returns being below the lower target threshold of 15%; and (iii) a dividend payment ratio in excess of 40%. The absorption of capital from these factors has been offset directly by a £42m foreign exchange gain being credited to reserves in the year without which the equity to receivables ratio would have reduced to 48%. As noted earlier, we expect to progressively reduce the equity to receivables ratio over the next two to three years as we invest in growth, deliver our progressive dividend policy and build RORE to our target level of 15% to 20%. The gearing ratio was 1.2 times (2021: 1.3 times), comfortably ahead of our covenant limit of 3.75 times.

Closing receivables in 2022 were £869m, which is £152m higher than 2021 (14.2% at CER), reflecting strong execution against the Group's strategy to rebuild the Group following the impact of Covid-19 through 2020 and 2021. The strong growth has been achieved despite weak demand in the first quarter of the year in Europe due to the Ukraine war and the implementation of tightened credit criteria in the last quarter of the year. The average period of receivables outstanding at the end of 2022 was 13.0 months (2021: 12.3 months) with 76% of year-end receivables due within one year (2021: 79%). The Group continues to maintain a conservative balance sheet position in respect of receivables, with an impairment coverage ratio of 36.4% at the end of 2022 compared with 37.8% at the end of 2021 and 33.5% at the end of 2019 (pre Covid-19). The reduction in impairment provision reflects the combination of the write off of heavily provisioned Covid-19 debt and improved credit quality. The Group's impairment provision includes £24.9m of post-model adjustments in respect of the cost-of-living crisis and the moratorium in Hungary compared with £22.4m held at the end of 2021 in respect of Covid-19 and the cost-of-living crisis. The gross contractual cashflows supporting the receivables valuation amounts to £1.4bn at the end of 2022 (2021: £1.2bn).

The business has a strong track record of cash generation, even during adverse market and regulatory conditions. During the outbreak of Covid-19 in 2020, the business restricted lending to customers and had a strong focus on customer repayments. Due to the short-term nature of the receivables book, this action generated cash from operating activities of £330m, which enabled the Group to reduce borrowings by £184m and increase cash by £80m. In addition, when a decision has been taken to withdraw from a territory due to inadequate returns being available (e.g. Slovakia in European home credit in 2015 and more recently Finland in IPF Digital in 2020), we have demonstrated that the collect-out takes around 2 to 3 years and the cash recoveries (net of any costs) have typically been close to the value of the net receivables from the time of the decision to cease the operations. This represents 1.7 times to 2.0 times the value of the debt funding supporting those receivables.

Treasury risk management

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 €341m 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 euro, 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.

Funding

At the end of 2022, the Group had total debt facilities of £611m, comprising £419m of bonds and £192m of bank facilities. We have borrowings of £554m and, together with undrawn facilities and non-operational cash balances, our headroom is £76m. The Group's current funding capacity together with strong business cash generation, is expected to meet the Group's funding requirements into 2024. Our additional funding requirement in 2023 is not expected to be significant due to the expected contraction in Polish receivables as we transition the business to the new lower TCC cap.

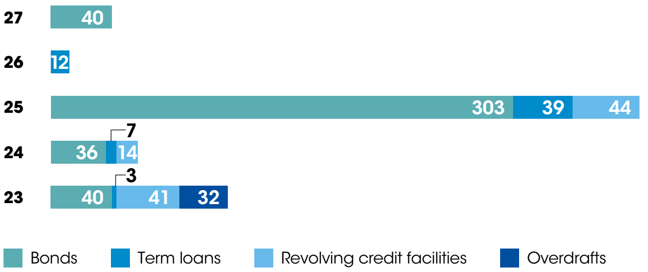
Despite the difficult macroeconomic backdrop, we have successfully extended £169m of bank facilities in 2022 and extended the maturity profile of the Groups' sources of funding to 2.5 years. In addition, consistent with our normal practice, in December 2022 we refinanced our £78m sterling retail bond maturing in December 2023, one year in advance of its maturity. The new retail bond has a maturity of December 2027 and carries a coupon of 12%, compared with the previous sterling bond which carried a coupon of 7.75% with the increase reflective of the rise in UK gilt prices and the iTraxx crossover rate. In total, £38m of the original bond was exchanged into the new bond with a further £2m of new retail bonds issued. In addition, a further £10m of bonds were retained by the Group and will be issued to the market in due course (£2m of which was issued in early January 2023). The £40m of the original retail bonds which were not exchanged will be repaid in line with their maturity in December 2023. We are continuing to actively seek new sources of funding in addition to our strong in-country bank relationships and our access to debt capital markets.

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

	Maturity	£m
Eurobond	November 2025	302.6
Swedish krona bond	October 2024	35.8
Sterling bond	December 2023	40.5
Sterling bond	December 2027	40.2
Total bonds		**419.1**
Bank facilities	2023 to 2026	191.9
Total debt facilities		**611.0**
Total borrowings		554.2
Headroom against debt facilities		56.8
Non-operational cash balances		19.0
Headroom and non-operational cash balances		**75.8**

Maturity profile of debt facilities (£m)



Our blended cost of funding in 2022 was 13.3%, up from 11.3% in 2021. This reflects a significant step-up in interest rates across our markets which has resulted in higher costs of bank funding and hedging. An analysis of our interest cost and funding rate is set out below:

	2022 £m	2021 £m
Bond costs	**40.7**	41.2
Bank funding cost	**8.2**	3.4
Hedging costs	**16.7**	6.3
Other	**2.5**	3.1
Total interest	**68.1**	54.0
Average gross borrowings	**509.3**	478.5
Cost of funding %	**13.3%**	11.3%

Our credit ratings remain unchanged. We have a long-term credit rating of BB- (Outlook Stable) from Fitch Ratings and Ba3 (Outlook Stable) from Moody's Investors Services.

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:

	Covenant	**2022**	2021
Gearing[1]	Max 3.75x	**1.3x**	1.3x
Interest cover	Min 2x times	**2.3x**	2.5x

1. Borrowings adjusted for lease liabilities, unamortised arrangement fees and issue discount. Net assets adjusted for pension assets and derivative financial instruments, in accordance with the debt funding covenant definitions.

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 £42m foreign exchange movement, which has been credited to the foreign exchange reserve.

Going concern

In considering whether the Group is a going concern, the Board has taken into account the Group's 2023 business plan and its principal risks (with particular reference to macroeconomic and regulatory risks). The forecasts have been prepared for the three years to 31 December 2025 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 Group's expected performance, and in particular the evolution of customer lending and repayments 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 macroeconomic and regulatory risks. 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 macroeconomic scenario 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 2022, the Group had £76m 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 2.5 years. The total debt facilities as at 31 December 2022 amounted to £611m of which £116m (including £32m 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, tested both in 2020 and 2022), 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 60 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.

Gary Thompson
Chief Financial Officer

Investing in relationships with our stakeholders

Active and effective engagement with our stakeholders helps us respond to opportunities and protect the business against challenges as they arise. It also helps us gain a better understanding of their needs and how Board and operational decisions impact them. Through open conversations with our customers, colleagues and communities, , and with the support of our investors and suppliers we will create greater financial inclusion, execute our strategy more effectively and deliver long-term sustainable growth.

Customers

Why we engage

Listening to our customers allows us to build a greater understanding of their needs and behaviours so we can deliver a unique and personalised experience to them.

What matters to our customers?

- Affordability and price
- Flexible repayments
- Convenience
- Simple, seamless experience
- Trusted brands

Business engagement

- Customer visits
- Digital interfaces
- Customer satisfaction surveys
- Responsible borrowing communications
- Product innovations
- Website tools
- Financial education

Board engagement

- Customer visits with customer representatives
- Board presentations on customer experience
- Participation in strategic reviews
- Approval of credit card proposition

Link to Our Risks

- Reputation; Product proposition; and Credit

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Net Promoter Score

Colleagues

Why we engage

Our colleagues are fundamental to achieving our strategy. It is vital that they are engaged and understand the positive impact they have on our customers and the business. Creating opportunities to develop skills and capabilities is essential to the sustainability of the Group.

What matters to our colleagues?

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

Business engagement

- Development programmes
- Opinion and feedback surveys
- Conferences and business updates
- Recognition
- Global Care Plan
- MyNews app, intranet, social media and email news

Board engagement

- Meeting colleagues in market
- Interactions with Workforce Engagement Director
- Board and colleague dinners
- Annual review of Group HR strategy
- Review of succession planning

Link to Our Risks

- People; and Reputation

97%

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, our important role in extending financial inclusion and how we support customers in making informed borrowing decisions.

What matters to regulators and legislators?

- Regulatory compliance
- Control and supervision
- Fair pricing and promotions
- Responsible lending
- Social inclusion
- Tax contribution
- Fair employment contracts
- Ethics training

Business engagement

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

Board engagement

- Board presentations on legal and regulatory developments

Link to Our Risks

- Regulatory; and Reputation

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sector association memberships

Section 172 (1) statement

The directors individually and collectively fully understand their responsibility to act as they consider most likely to promote the success of the business having regard to:

- the likely long-term consequences of decisions
- the interests of the Group's employees
- the relationships with customers suppliers, and others
- the impact of the Group's operations on communities 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.

Healthy engagement with our stakeholders underpins our governance framework with consideration of these factors and other relevant matters deeply embedded into all Board decision-making, strategy development and risk assessment.

For further information on how the Board considered stakeholders in its decision-making see pages 75 and 76.

Suppliers

Why we engage

We develop policies and improve practices with our key suppliers, to minimise sustainability risk within our supply chain and ensure we all work to the highest ethical standards. Our interactions also help extend their expertise and innovation to our business.

What matters to our suppliers?

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

Business engagement

- Strategic sourcing processes
- Ongoing supplier and contract management
- Due diligence and risk management processes
- Industry research
- Strategic governance processes
- Service-level performance reviews

Board engagement

- Approval of a new supplier relationship manager policy
- Approval of our Modern Slavery Act statement
- Supported the implementation of new responsible procurement policy

Link to Our Risks

- Technology; Change management; Product proposition and Reputation

4,150
supplier partners across the Group

Communities

Why we engage

We forge meaningful relationships in our communities to support local causes and address issues that colleagues and customers care about. This also increases the visibility and understanding of issues, empowers communities and helps attract people to work with us.

What matters to our communities?

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

Business engagement

- 'Invisibles' global initiative
- Financial literacy programmes
- NGO partnerships
- Colleague volunteering
- Financial wellbeing research
- Supporting causes chosen by colleagues

Board engagement

- Visits to community projects
- Reviewed and endorsed actions designed to enable compliance with the TCFD

Link to Our Risks

- Reputation; and People

4,000
colleagues volunteered in our communities

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.

What matters to our investors?

- Performance and growth potential
- Risk management
- Cash generation
- ESG risks and reporting
- Executive remuneration
- Dividends
- Share price accretion

Business engagement

- Dialogue and meetings
- AGM
- Results presentations, trading updates and roadshows
- Annual Report and website
- Capital markets webinars

Board engagement

- Remuneration policy consultation
- Shareholder meetings
- Regular investor feedback
- Approval of retail bond strategy

Link to Our Risks

- Funding, liquidity, market and counterparty; and Taxation

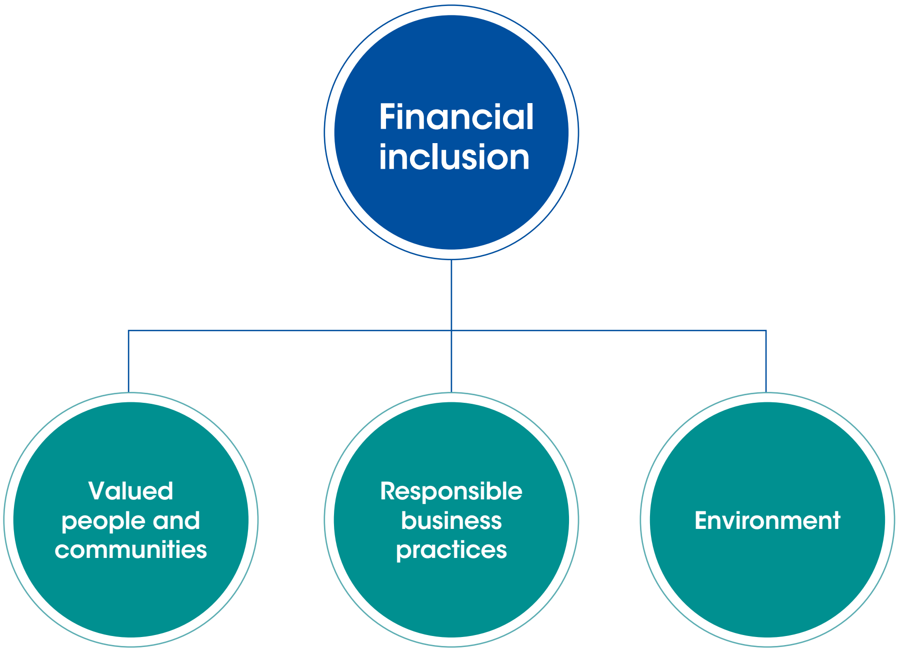
£169m
of bank facilities extended in 2022

Focused on a sustainable business

We are committed to building a better world through financial inclusion and contributing positively to the world around us.

2022 highlights

Our approach to delivering on our purpose and ESG



Financial inclusion

- New products developed to reach more customers and support financial inclusion.
- Simplified our language in customer documents to make borrowing decisions more easily understood.
- Aligned our advertising to our purpose reflecting our role as a trusted partner offering transparent, affordable products.
- Launched a flexible interest rate to reward loyal customers in Lithuania and Latvia.
- Developed a loyalty programme that rewards customers in the Czech Republic with discounts in shops.
- All three divisions undertook financial education initiatives to help consumers make informed decisions on their finances.
- Launched responsible spending and lending campaigns in Romania and Hungary.

Valued people and communities

- New development programme supported the promotion of 130 customer representatives to development managers in Mexico.
- Partnered with Harvard University and LinkedIn Learning to support our development programmes.
- Mexico home credit implementing the ISO 45001 Occupational Health and Safety Management Standard with accreditation expected in 2023.
- Developed Employer brand and launched global careers portal.
- 80% female representation across the Group.
- 5,000 colleagues joined annual Global Learning Festival.
- Invested over £1m in our communities (data compiled using London Benchmarking Group (LBG) framework).
- Extended global community initiative, 'Invisibles'.
- Created award-winning Mother's House in Poland for Ukrainian refugees.

Responsible business practices

- Playing a key role in shaping the consumer finance sector.
- Working with regulators and legislators to build a sustainable regulatory environment for responsible lenders.
- Policies and procedures covering all key governance areas are well embedded through communication and training.
- Framework to combat all forms of financial crime and corruption.
- Strong governance processes to ensure data privacy.
- Whistleblowing service and effective investigation processes well-established and used in all markets by employees, customer representatives and suppliers.
- Ethical supplier risk assessments introduced to support our Groupwide responsible procurement policy.
- Ethics training completed by 97% of employees and customer representatives.
- Member of the UN Global Compact Network UK

Environment

- Environment Oversight Group established.
- Climate risk incorporated as a key risk in the Group's risk management framework.
- 21,457 tCO_2e emissions in 2022.
- Gradually replacing diesel and petrol company car fleet with lower emission LPG vehicles.
- Solar panel installation test underway in Mexico.
- 6,000 trees planted by Hungarian colleagues.
- Our 'What's with this world?!' environment education project in Poland nominated by the Carbon Footprint Foundation as one of the top 10 eco-influencer initiatives.

Financial inclusion

Our purpose is to build a better world through financial inclusion. For us, financial inclusion means providing people who are underserved by mainstream lenders with affordable financial products and services that meet their needs, delivered in a responsible and sustainable way.

Why financial inclusion is so important

We strive to help people access affordable credit when and where they need it. Our customers have low-or medium incomes and are regularly turned away by banks because they often have an incomplete or no credit history. The consumer segment we serve is not well supported by the financial services sector for a number of reasons, in particular our customers often:

- work hard but their income is difficult to verify;
- have never borrowed before and have no formal credit history;
- have defaulted on a credit agreement resulting in a damaged credit history;
- may not have a bank account;
- may lack internet access excluding them from digital services;
- live in a rural area and access to a bank is difficult;
- want to borrow a small amount on a repayment schedule which is not of interest to banks.

Meeting our customers' needs

People often believe our customers take loans without thinking about it, and that they can't handle money. We know this is not the case. With less disposable income, our customers are very good managers of money, think carefully before they borrow and try hard to save. In fact, 44% of customers and potential customers we surveyed in 2022 said they have saved some money every month in the past year.

We are happy to serve these customers and include them in the financial mainstream when other lenders do not because our business model and product offering is designed to meet their unique needs and different credit profiles.

Affordability: Affordability is central to our responsible approach to lending. Stringent credit procedures and affordability checks ensure that customers do not take on debt they cannot afford. We always provide clear terms and conditions and in 2022 we simplified the language in our customer documents even further to make borrowing decisions more easily understood.

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.

Forbearance flexibility: Our financial model does not rely on penalty fees and late payment interest charges. 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.

Tailored products and services: We have a differentiated proposition from that of other credit providers ranging from traditional home credit and digital instalment loans through to a credit card, digital credit lines and a mobile wallet offering. Our home credit model offers high levels of contact with customers to help them stay in control of their repayments. Our mobile wallet is unique for our segment of consumers and in 2022 we launched a flexible interest rate to reward mobile wallet customers for their loyalty. We also extended our value-added services to include an online language learning package in Poland.

We play a key role in society

Knowing our customers so well helps us make better affordability assessments. This, in turn, allows us to approve more loans and extend financial inclusion. With both our digital and home credit models we can also reach more customers living in rural areas where traditional banks are not located.

40%

of home credit customers live in a rural area or small village

"As a responsible and inclusive lender, we invest in financial education initiatives throughout our communities."

Being a responsible lender

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

- We only lend to customers who can prove they have a regular, secure income and can afford their repayments.
- We carefully assess a customer's ability to borrow and make credit bureau checks to obtain information on existing debts to prevent over-indebtedness and make a responsible loan offer. This is done in line with local legislation and the consent of our customers.
- We support a new customer's credit journey by lending smaller amounts at first, over shorter periods of time. As they prove their ability to repay, they build a positive credit history with us and the credit bureau, thereby enabling more credit choice in the future.
- Our customer representatives form relationships with customers, allowing them to assess their circumstances and ability to repay.
- Our customer representatives are rewarded primarily on repayments rather than loans granted so it is in their interest to lend amounts that their customers can afford to repay.
- We provide clear guidance on how much a customer will repay and provide forbearance if they face difficulty in making loan repayments.
- Late-payment fees, where applicable, are fair, proportionate and are designed to re-engage with non-performing customers.
- Our engagement with credit bureaus helps paying customers to establish a positive credit history.

40,000

children and young people undertook financial literacy programmes in Mexico in 2022

44%*

of customers and potential customers have saved some money every month in the past year

*IPF Reptrak survey

Financial education

As a responsible and inclusive lender, we invest in financial education initiatives throughout our communities. While our customers are skilled at managing tight household budgets, our research into financial wellbeing highlights that many have never received any financial education which can limit their ability to engage with the financial sector. Each of our divisions run programmes in partnership with charities or non-governmental organisations (NGOs). We use both face-to-face and online media to help people develop the knowledge and skills to manage their household budget, save, borrow responsibly and prioritise spending. By promoting financial skills development, we help customers and the general public access financial services with more confidence, and make responsible and informed decisions about their finances.

'Let's talk money'

Financial literacy is a key step towards achieving economic stability. 'Let's talk money' is an established financial education programme run by our home credit operation in Mexico. Working in close partnership with leading charities and NGOs, including Save the Children, MIDE (Interactive Museum of Economics) and the EDUCA Foundation, we offer classes to educate people living in the communities we serve on how to better manage their personal finances. Between 2008 and 2022 more than 150,000 people took part in this programme. In 2022, we also provided nearly 40,000 children and young people with financial literacy education to improve their financial skills and attitudes towards spending, saving and borrowing.

Valued people and communities

2022 has been a year of genuine transformation in the area of the personal and professional value proposition we offer colleagues, both employed and self employed.

We are dedicated to providing high-quality learning and personal development opportunities and during 2022 we deployed our global IPF employer brand which is based firmly upon our purpose. A major achievement has been the deployment of learning academies which comprise structured development pathways for all of our customer representatives. The evolution of our care programme, which served us so well during the pandemic, has taken us forward into areas such as menopause, and psychosocial risk will be a further focus in 2023. We protect our culture fiercely, grounded as it is in the deep feeling all of our colleagues have for supporting and helping customers in our sector.

Enhanced employee value proposition

Building on our employer value proposition and responding to focus group feedback from colleagues, we created a global learning academy for our customer representatives and call centre colleagues. Featuring 25 pathways, customer representatives are now benefiting from support to develop their agency, and broaden their customer service and sales skills.

New careers portal

We launched our first global careers portal to attract and retain great talent and ensure a high-quality experience when applying to join our company.

The new websites showcase why the business is a great place to work and the international opportunities available when candidates apply for roles.

Enhanced employee experience

We undertake regular opinion and feedback surveys to measure colleague engagement, commitment and career aspirations. In response to the findings, we significantly enhanced our global development programmes.

- We partnered with LinkedIn Learning and Harvard Business School to provide best-in-class development materials and experiences for colleagues throughout the Group.
- The first intake of senior managers whom we see as the future generation of leaders at IPF joined our Global Leaders Connect programme.
- We hosted our second annual Learning Festival comprising 70 online multi-language events which attracted 5,000 colleagues to learn about diversity and inclusion, business growth, innovation and leadership.

Spotlight on Mexico:

A key focus in 2022 was to encourage and support our customer representatives in Mexico to extend their careers beyond their current roles. To drive this we set a target that 50% of development manager vacancies, which are the next rung up the career ladder, should be filled by customer representatives who have extensive experience and knowledge of our customers and the business. We developed a new learning programme to support career progression and identified those colleagues with the potential to be promoted. In 2022, 130 customer representatives were promoted to development managers.

We also:

- introduced the provision of company cars
- removed the requirement to work on a Saturday to enhance work-life balance; and
- extended medical insurance to protect our customer representatives.

The progress we are making on colleague care also resulted in an improved position in the Workplace Wellness Council assessment in Mexico, which recognised our health promotion programme and provision of working environments conducive to wellbeing.

25%

of development manager positions in Mexico are now held by former customer representatives

Diversity

Equal opportunities

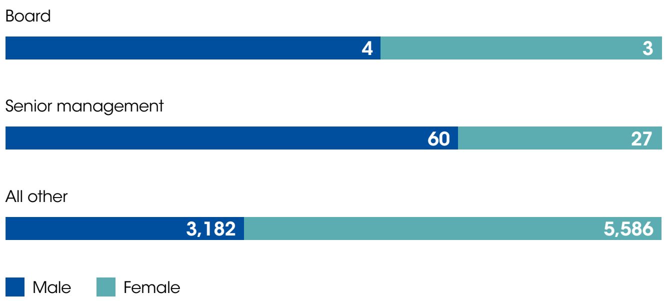
The Group is an equal opportunities employer. It is our policy that no job applicant, employee or customer representative will receive less favourable treatment because of their race, colour, nationality, ethnic or other national origin, gender, sexual orientation, marital status, age, disability or religion. The purpose 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. We also give full and fair consideration to applications for employment from disabled people, having regard to their particular aptitudes and abilities. If an employee becomes disabled, we make every effort to ensure their employment with the Group continues and reasonable adjustments are arranged where necessary.

Gender and diversity

The overall gender balance across the Group including all employees and customer representatives is 80% female. This reflects our large and unique customer representative workforce who are predominantly female and mirror the demographics of our largely female customer base.

The gender split of our employed workforce is set out in the chart below. The proportion of female senior management including direct reports was 31% in 2022. At 31 December 2022, the Board comprised 43% female members, meeting the Parker Review standard. Further information on Board diversity are included on pages 86 and 87.

Gender split of employees at 31 December 2022



In 2022, we continued to develop a number of initiatives to support the development of women in our business.

Women's development programme

The first women's development programme in Mexico, 'The Power of Women' was launched and 110 participants undertook developmental training and learning experiences focused on self-awareness, discipline to grow and openness to change through self-learning.

Understanding potential barriers

In Poland, a survey among female colleagues was undertaken to better understand the motivations and barriers to women's development and promotion. This led to the creation of a programme to help female colleagues discover their strengths and apply for more senior roles.

New gender-focused recruitment practices

In Mexico, our recruitment process now requires that at least one female should be considered in the selection process for all vacant positions. In 2022, this led to material improvements in leadership gender balance with the ratio of women to men in management positions improving year on year by 11ppts to 47%. We plan to share this best practice across the IPF Group.

Health and safety

We place a high degree of importance on colleague wellbeing. The Board has overall responsibility for health and safety policy and receives regular briefings to review performance. To ensure our people are as safe as possible a global care group delivers initiatives which in 2022 included:

- Spring and Autumn health and safety awareness campaigns providing advice and guidance on personal safety, physical health and mental wellbeing;
- a Global Togetherness Day brought together 1,700 colleagues virtually to celebrate how we are building a better world, in particular recognising the efforts colleagues had made to help refugees fleeing Ukraine;
- the BUPA Menopause Plan providing GP support and advice to UK colleagues and partners; and
- the Aviva DigiCare+ Workplace offering an annual health check, digital GP services and mental health and nutritional consultation.

We have held the ISO 45001 Occupational Health and Safety Management Standard in all European home credit markets since 2020. Mexico home credit has entered the implementation phase with certification expected in 2023. Operating under this independently verified safety management system ensures all employees and self-employed customer representatives are provided with the highest standards of safety supervision, training, education and advice.

During 2023 and 2024, our global care group will work to implement best practice based on ISO 45003, the first international standard that provides organisations with guidance on managing workplace psychological health and safety. This standard allows organisations to identify the hazards which have the potential to impair the psychological health and wellbeing of workers, assess the primary risk factors and determine the changes required to improve the working environment. This is a significant development in embedding a culture of safety within IPF and protecting colleagues' physical and psychological health, safety and wellbeing in the workplace.

Flexible working

We have flexible working policies in place in all markets for all employees encouraging a healthy work-life balance. Over and above the benefit of this policy, we also have part-time roles, maternity/paternity options and flexible hours working.

Valued communities

Building strong relationships in our local communities provides a valuable platform to engage with colleagues, customers, local governments and NGOs. We focus on the issues that are important to our stakeholders namely financial inclusion and education. In 2022, we invested over £1m in programmes to support education, social welfare and emergency relief for Ukraine. 4,000 volunteers invested 15,500 volunteering hours to support community projects and promote financial inclusion. All community investment data is compiled using the London Benchmarking Group's measurement framework.

£1.1m

invested in communities

Employee volunteering

We support colleagues to volunteer in their local communities not only to support society, but to improve teamwork, engagement and motivation. Despite restrictions brought about by the pandemic, our colleagues dedicated time to helping local causes and, in particular, supporting people fleeing the war in Ukraine.

15,500

volunteering hours undertaken by colleagues

Invisibles – our global community programme

In 2022, we began to roll out our flagship community programme, Invisibles, highlighting the plight of underprivileged, marginalised and excluded members of society. We believe everyone deserves fair treatment and as a business that specialises in serving underserved consumers, we have an important role to play in building a long-term social programme that links directly to our purpose and business activities. We are making the issue of invisibility visible among public and government decision-makers. We plan to quantify the issue in our markets by demonstrating the social and economic impact on 'invisible' people and highlighting real-life stories of those in this situation. We are also beginning to implement support initiatives to deliver positive changes by providing advice through NGOs and experts, and directly through volunteering programmes for our colleagues.

Our Invisibles programme highlights the plight of underprivileged and excluded members of society

Colleagues volunteered and raised funds to support the creation of the Mother's House in Warsaw

Award-winning 'Mother's House' for Ukrainian refugees

The onset of the war in Ukraine spurred a heartfelt surge in colleagues supporting refugees escaping to our markets, in particular Poland, Romania and Hungary. Pooling financial donations from around the Group, our colleagues took to creating a unique, long-term social initiative, known as the Mother's House to provide a home for ten refugee families displaced from Ukraine. Our volunteers renovated a large property in Warsaw in cooperation with a NGO to provide safe shelter, psychological support and school places for the children. In the long term, we intend that the Mother's House will help other single mothers who are forced to cope with crisis in their lives.

Managing a responsible business

All our operations and decisions are underpinned by responsible leadership, governance and transparency.

Engagement with regulators

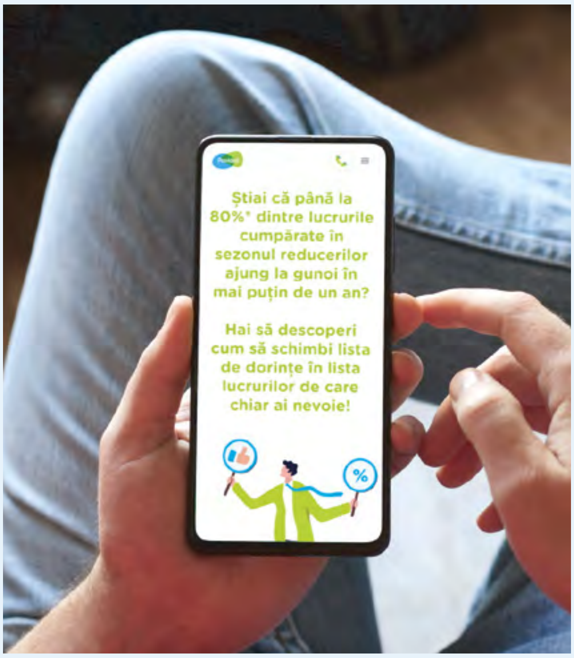
We support regulation which protects consumers and ensures that only responsible businesses are permitted to provide financial products. We maintain good relationships with regulators and legislators who play a key role in shaping the consumer finance sector. We help them understand that we are an important member of a well-functioning market playing a vital role in extending financial inclusion in society.

We engage through a range of industry associations, legislative consultations and conferences to communicate our views to policymakers. This contributes to maintaining high standards across the industry, building a positive reputation and creates a sustainable regulatory and operational environment. We are committed to working with regulators and legislators to help shape the regulatory future of the consumer lending sector.

We are a politically neutral organisation. We comply with legal requirements on disclosing political donations and do not provide financial support to political parties. See page 84.

97%

of employees and customer representatives, including self-employed and part-time colleagues, completed ethics e-learning in 2022



Responsible shopping campaign

To coincide with Black Friday, we launched a responsible shopping campaign in Romania focused on educating consumers to only buy the things they need and to think carefully before borrowing. We also collaborated with online influencers to extend the financial education message. Following its success, it was extended into Hungary where we aired a 3-week initiative to coincide with the new year sales early in 2023. The responsibility campaigns reached nearly 6 million people on TV, radio, press and social media.

Code of Ethics and policies

The Board has overall responsibility for risk management including compliance and ethics.

Policies and procedures are embedded across the business covering all key governance areas including fraud, anti-money laundering, anti-bribery, gifts and hospitality, conflicts of interest, anti-tax evasion, modern slavery, data protection, information security, health and safety and whistleblowing. Our common values and Code of Ethics ensure that colleagues have a clear understanding of how we serve our customers with respect and conduct our business ethically.

Our policies and values are translated and communicated to colleagues through induction processes, training, internal communications and seasonal awareness campaigns. All our employees and customer representatives undertake ethics training annually. The training is based on real-life ethical dilemmas and helps colleagues better understand the complexity and importance of decisions they make in their day-to-day work.

Anti-money laundering (AML) and Know your customer (KYC)

We have an established AML and KYC framework to minimise financial crime risk. The framework is managed and assured through a three lines of defence approach, comprising prevention and detection processes and controls which ensure that the Group is not used to launder the proceeds of criminal activity and/or facilitate the financing of terrorist organisations and/or terrorist acts. All our businesses provide induction and annual training on fraud and anti-money laundering plus two awareness campaigns each year.

Anti-bribery and corruption

We ensure compliance with anti-bribery and corruption legislation through our policy, training, internal controls and procedures which prohibit all forms of bribery by the Group and anyone who works for us. Our processes aim to prevent bribery occurring throughout all our operations. Risk assessments are carried out every year in every market against the six prevention principles of the UK Bribery Act. Mandatory annual anti-bribery training is completed by all employees and customer representatives in all our markets.

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. An anti-facilitation of tax evasion policy is formally in place in the UK, with appropriate procedures embedded in our procurement processes and training is provided regularly. Our approach to anti-facilitation of tax evasion is also reinforced in the annual Group-wide ethics training which takes place annually. Information on our approach to the management of taxation 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.

Human rights and modern slavery

We are dedicated to human rights and make regular communication on progress through our membership of the United Nations Global Compact Network UK. We are committed to addressing modern slavery, forced labour and human trafficking in all its forms and our policy sets out the measures, systems and procedures that we employ to minimise this taking place within the Group and our supply chain. Modern slavery is included as part of our annual Groupwide ethics training to ensure the risks are understood by all employees and customer representatives. Our statement on the Modern Slavery Act can be found on our website at www.ipfin.co.uk.

Data privacy

We take our data protection obligations very seriously and comply with relevant legislation in all of the jurisdictions in which we operate. We are committed to preserving our customers' trust, respecting the choices they make about how their personal data is processed throughout our business and protecting their privacy rights while ensuring appropriate transparency. Policies, processes and controls are in place as part of our data privacy compliance framework to apply the standards required by GDPR legislation. These are subject to regular reviews, monitoring and testing supported by internal audits on data privacy. The Group Data Protection Officer reports annually to the Board. Key functions receive regular training and updates on relevant topics and all employees and customer representatives are required to undertake an annual personal data protection training module.

Responsible procurement

We co-operate with our supplier partners to develop 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 services contribute to the delivery of our goals. We have a Groupwide responsible procurement policy which governs how all external products and services are sourced. In 2022, we introduced Group standards for our procurement teams ensuring a common approach to supplier relationship management. They also require a key supplier annual risk assessment procedure including evaluation metrics on supplier reputation, data protection controls and an ethical assessment.

Whistleblowing

Our 'Speak Up' whistleblowing services (web reporting and hotlines) are available to all employees, contractors and customer representatives to ensure they have access to appropriate channels to report any wrongdoing in the workplace or concerns for their safety and wellbeing. We have now extended our whistleblowing services to external stakeholders and proactively communicate to suppliers in all our markets. We encourage colleagues to feel able to raise concerns with senior management or human resources but recognise the importance of an independent, confidential whistleblowing service allowing anonymous reporting, and this is well embedded in every market (EthicsGlobal in Mexico and WhistleB across the rest of the business). All matters raised are treated sensitively and confidentially, and receive the appropriate level of impartial and independent investigation. Significant matters are escalated for the attention of relevant Group directors. Data is compiled on key metrics such as subject matter, geography and investigation outcomes, and the Board receives reports on operation of the services twice a year.

Environment

We recognise that climate change is a critical issue for our stakeholders as well as for wider society. The impact of climate change also poses potential risks and opportunities to our business which need to be effectively managed on behalf of all our stakeholders.

Climate and TCFD

This section sets out our understanding of the impact of climate change on the Group. It also explains the activity we have completed during 2022, and have planned for 2023 and beyond with regard to managing the risks and opportunities to the Group in relation to climate change. In our 2021 Annual Report, we confirmed that we support the recommendations provided by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), which call on companies to disclose the impacts of climate change on their business. In 2022, we looked to move to disclose in line with the TCFD. The information disclosed within this report is therefore structured to demonstrate our understanding of the risks associated with climate change, in a way that is transparent and in accordance with the TCFD. The following pages set out our progress against the 11 TCFD recommendations and indicate our priorities for 2023. We have included a summary table of compliance on page 56.

Climate Achievements and Priorities Overview

Governance

The Board has the ultimate responsibility for the management of risks and opportunities relating to climate change. The Audit and Risk Committee considers climate risk in detail as part of its broader risk oversight remit. Executive governance of climate-related matters is undertaken through the Environment Oversight Group with strategic matters considered at Country Management Team (CMT) meetings.

Achievements in 2022

- The Board reviewed and endorsed actions designed to enable compliance with the TCFD.
- The Audit and Risk Committee approved changes to our Enterprise Risk Management Framework (ERMF) concerning climate-related risk.
- The formal responsibilities of the Board and its Committees were updated to include explicit reference to climate.

2023 Focus Areas

- Enhance reporting to the Board and its Committees on relevant external climate related developments.
- Incorporate climate considerations into key decisions taken by the Board including strategic planning.
- Develop management information for the Board to assist with oversight of our management of climate-related risks.

Strategy

The Group looks to create robust assessments about the risks and opportunities of climate change and ensure these are considered appropriately when making key decisions, such as strategic planning, budgeting and project oversight.

Achievements in 2022

- Insight into the risks and opportunities of climate change on our business model was developed.
- Assessments were made about future impact of climate on the Group's business and strategy.
- We reviewed externally-developed proposals for green lending products in our European home credit markets.

2023 Focus Areas

- Embed new processes to ensure climate-related issues serve as an input to key decision-making processes at Group and market level.
- Progress scenario analysis to provide greater insight on the resilience of the Group's strategy in different climate scenarios.
- Identify targets relating to climate and report on progress regularly to the Board.

Risk management

The Group seeks to understand the risks from climate change which will impact its operations, business model and customers over time.

Achievements in 2022

- Climate risk was incorporated as a key risk in the Group's risk management framework.
- Climate risk was regularly reviewed through existing risk governance forums.
- Climate risk was assessed by a cross-functional group of subject matter experts over different time horizons and the output of this work was endorsed by the Board.

2023 Focus Areas

- Enhance KPIs for monitoring climate risk.
- Refine internal control arrangements for this risk category.
- Identify specific risks through credible scenario analysis processes.

Metrics and targets

The Group has in place targets for greenhouse gas (GHG) emissions and other environmental impacts and can accurately measure these.

Achievements in 2022

- Scope 1 and 2 emissions reported in line with GHG Protocol and verified independently.
- Scope 1 and 2 emissions increased by 1% as normal business operations resumed post-pandemic

2023 Focus Areas

- Creating a credible transition plan which aligns to the 1.5°C pathway.
- Develop credible emissions-related targets.
- Measure other climate targets including those for energy use, paper use, and waste and recycling.

Governance

TCFD recommendation:
a) Describe the Board's oversight of climate-related risks and opportunities

The Board has ultimate accountability for the management of all risks and opportunities relating to climate change as well as our broader approach to sustainability. The Board discharged this responsibility in 2022 by receiving two detailed updates on climate related matters. Our Chief Financial Officer and Executive Director, Gary Thompson, has been appointed as the lead Board member for climate-related matters.

In early 2022, the Board received an update outlining the Group's overall approach to implementing the TCFD in the context of a broader climate strategy. In late 2022, the Board engaged in a detailed review of the work undertaken to implement the TCFD and endorsed a number of key decisions and assumptions on this topic. Further details on these decisions are set out below. Also in late 2022, the Board reviewed and approved a revised Matters Reserved document, which formalised its role in oversight of this area. The Board also approved revised terms of reference for each board committee, which included amending the responsibilities of the Audit and Risk Committee to formalise its role in oversight of external disclosures relating to: (i) sustainability and (ii) the Group's management of the financial risks arising from climate change. In 2022, the Board did not explicitly monitor progress against goals and targets for addressing climate-related targets, but this is a priority for 2023.

Whilst the Group's Board has overall accountability for the management of all risks and opportunities relating to climate change, as part of its role in determining the Group's broader approach to sustainability, it delegates some of its responsibilities in this area to the Audit and Risk Committee, Remuneration Committee and the Nominations and Governance Committee.

Committee	Climate change responsibilities
Audit and Risk Committee	– Review and oversight of the activities undertaken by the Group to respond to the financial risks arising from climate change. – Oversight of external disclosures relating to the Group's management of the financial risks arising from climate change.
Remuneration Committee	– Oversight of the application of climate and other ESG targets to remuneration.
Nominations and Governance Committee	– Ensuring that suitable arrangements are in place to manage climate risks and opportunities at Board level.

In 2022, the Audit and Risk Committee approved changes to the Group's ERMF to include climate risk as a key risk and received updates in relation to progress on compliance with the TCFD. The Remuneration Committee discussed the importance of adding broader ESG metrics to future variable pay schemes and agreed to follow up on this area in 2023. The Nominations and Governance Committee reviewed and recommended to the Board changes to the Matters Reserved to the Board and Board Committee terms of reference which made explicit responsibilities on managing the risks and opportunities of climate change.

Looking to 2023, the Board has endorsed the following priorities to further improve governance in this area:

i. to incorporate climate considerations into key decisions taken by the Board including strategic planning;
ii. to approve targets relating to climate related issues and receive reports on progress towards these targets; and
iii. ensure reporting on climate matters forms part of the regular reporting suite for the Board so that progress against climate-related targets is monitored and overseen effectively.

TCFD recommendation:
b) Describe management's role in assessing and managing climate-related risks and opportunities.

Climate-related matters are considered at the Environmental Oversight Group, which meets at least monthly and whose membership comprises representatives of a range of functions who provide leadership on broader climate issues. The material outputs from this forum are considered by the CMT and Board. In 2022, the forum reviewed detailed proposals concerning the Group's broader climate performance as well as considering and recommending to the Board a range of important decisions about the Group's approach to the TCFD. It also analysed the options for a credible net-zero commitment, potential approaches to Scope 3 reporting, options for targets and metrics and reviewed data concerning travel by customer representatives in six markets.

Material matters relating to climate are considered at the CMT alongside other key strategic topics. This is an important forum comprising the senior leaders at Group and market level. In 2022, the CMT reviewed the overall approach to managing climate-related risks and the approach to measuring and reducing the emissions of the Group. The CMT also reviewed in detail proposals developed by an external consultancy to originate loans in European home credit markets to enable customers to fund home improvements which would reduce energy usage and drive decarbonisation. The CMT discussed these proposals in detail and determined not to progress them in 2023. This decision reflected concerns that the Group's European home credit customers would be able to source other funding for this purpose.

The Risk Advisory Group (RAG) is attended by the Group executive team and a range of other senior-level individuals from across the Group and oversees the management of climate risk alongside other key risks. The RAG considers updates on climate risk quarterly.

Looking forward to 2023, we plan to further strengthen our executive governance in this area by more formal reporting to the Board on the work undertaken and developing more structured oversight of regulatory changes relating to climate in all our markets which have the potential to materially impact our activities.

Our governance structure around climate-related risks and opportunities is presented below.

Our climate-related governance at a glance

Governance	Scope and what they do	Frequency
Board	The Board has overall accountability for the management of all risks and opportunities relating to climate change as part of its role in determining the Group's broader approach to sustainability	Six times per year
Audit and Risk Committee	The Audit and Risk Committee has delegated responsibility for climate-related risk. Consideration of climate-related risks is a regularly scheduled agenda item.	Six times per year
Country Management Team (CMT)	The CMT comprises senior executives in the UK and leaders of our markets and divisional operations. The CMT's role in 2022 included consideration and approval of matters relating to our broader environmental strategy.	Three times per year
Risk Advisory Group (RAG)	This RAG comprises senior executives and internal risk management professionals. The RAG: i. reviews reports concerning the assessment and management of climate-related risks; ii. provides regular reports to the Audit and Risk Committee on climate-related risks; and iii. monitors the management of climate-related risks in relation to the overall risk exposure of the Group.	Quarterly
Environment Oversight Group	Introduced in January 2022, this group of senior executives is responsible for setting and managing the Groups' environment strategy and ensuring compliance with the TCFD. The draft risk register relating to environmental risks is presented to the forum for agreement before presentation to the RAG.	Monthly

Strategy

TCFD recommendation:
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

To aid our assessment of the potential impact of the risks and opportunities of climate change, a four-stage process was followed by a group of subject matter experts working cross functionally in 2022. The output of the work described below was then reviewed and endorsed by the Environment Oversight Group and then by the Board.

Stage 1 – Determining definition of "materiality"

Utilising the four major categories of financial impact in alignment with the methodology put forward by the TCFD as a basis for determining materiality, led the Group to formally adopt a definition of a material climate-related risk or opportunity as being an event which would have a significant impact on the profitability of the Group (e.g. through delayed customer repayments), expenditure (e.g. increased costs relating to increased impairment), assets (e.g. closing branches), or financing (e.g. loss of investors due to legal breaches). "Significant" for these purposes means a material impact on the Group's ability to meet the targets detailed in its strategic plan.

Stage 2 – Determining relevant time periods

A process of analysis was undertaken to determine the time periods relevant to the Group for assessing climate related risks and opportunities. These are presented in the table below with the associated rationale.

Time period	Time horizon	Reasoning
Short-term	0-2 years	This time period reflects the average term of our loans and the flexibility in both our credit strategies and field operations that allow us to adapt rapidly to changing scenarios.
Medium-term	2-5 years	This time period reflects the strategic planning horizon used by the Group.
Long-term	5 plus years	This time period is based on the useful economic life of the majority of Group assets.

Stage 3 – Risk and opportunity definition

A review of definitions of climate risk used by external stakeholders was undertaken and the definitions detailed below were identified as being the most relevant for the Group from a risk perspective

Risk type	Risk
Physical	**Acute** Increased frequency and severity of extreme weather events affecting customers, customer representatives and employees could impact the business model.
	Chronic Permanent changes to sea, river or lake levels could impact our ability to conduct our business in some areas.
Transition	**Policy and Legal** (i) Exposure to litigation due to our inability to comply with environmental law; and (ii) increased operating costs due to the increased cost of transport.
	Market Uncertainty around the costs incurred in moving to a net zero economy.
	Reputation (i) Increased stakeholder concern or negative stakeholder feedback relating to our ability to transition effectively to a lower carbon economy; and (ii) increased shareholder concern or negative shareholder feedback relating to our strategy to address climate-related risks.

The same process was followed to identify the potential climate-related opportunities which would be most relevant to the Group. The following opportunities were identified:

Opportunity type	Opportunity
Resource efficiency	(i) Reduced operating costs through reduced air and other travel; and (ii) reduced operating costs through reduced paper consumption.
Energy source	(i) Use of lower-emission sources of energy; and (ii) use of supportive policy incentives (iii) Use of new technologies.
Products and services	Development of new products and services through innovation.
Markets	Increased attractiveness of the Group to customers and employees by effective execution and communication of the a climate strategy.
Resilience	Ability for the Group to access reduced priced funding due to its climate impacts.

Stage 4 – Materiality assessment

Using the definitions described on page 52, the following assessment was made of the likely material impacts over the short, medium and long term of the opportunities to the Group arising from climate change.

Opportunity type	Short term	Medium term	Reasoning
Resource efficiency	Low	Medium	Medium
Energy source	Low	Medium	Medium
Products and services	Low	Low	Low
Markets	Medium	Medium	Medium
Resilience	Low	Medium	Medium

The exercise confirmed that the Group does not envisage material opportunities arising in the short-to-medium term from climate change. The opportunity which was assessed as most likely to occur over the short term was the potential for the Group to derive benefits in terms of customer satisfaction and other stakeholder feedback from the successful execution of a credible environmental strategy.

In respect of risks from climate change over the different time periods specified the following assessment in terms of likely material impacts was made:

Risk type	Risk	Short term	Medium term	Long term
Physical	Low	Low	Low	Medium
	Chronic	Low	Low	Medium
Transition	Policy and legal	Low	Medium	Medium
	Market	Low	Low	Medium
	Reputation	Low	Medium	Medium

The exercise confirmed that risk had not been assessed as a material concern over the short term. Over the medium term the risk most likely to crystallise was assessed as arising from the impact on the Group of regulatory change which could increase costs or have operational impacts. More broadly it also reflects the fact that the Group does not have significant credit exposure to carbon related assets.

Looking forward, we will continue to develop our insight on this area and re-assess the assumptions which underpin the various judgements outlined above. We aim to focus on embedding the process to ensure climate-related issues serve as an input to key decision-making processes at Group and market level. We also aim to further quantify the financial implications of the key climate-related risks and opportunities in our exposure,(i.e. revenue, expenditure, assets and liabilities, and capital and financing).

TCFD recommendation:
b) Describe the impact of climate-related risks and opportunities in the organisation's businesses, strategy, and financial planning.

The process outlined above provided insight into the impact of climate-related risks and opportunities over differing time periods, including the time periods used for strategic planning purposes by the Group. On the basis of this assessment it is not envisaged that there will be material impacts on the Group's business or strategy over the short term and limited impacts over the medium term in each of the risk types described above. This assessment will be repeated annually to ensure that the Group continues to have an up-to-date assessment of this area. In making this assessment the Group did not utilise climate-related scenarios to inform the formulation of strategy or broader financial planning, but this is an area of focus for 2023.

TCFD recommendation:
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

In 2022, we focused on understanding the impact of risks and opportunities that climate change might have on the Group and undertaking the actions outlined above. To complete a scenario analysis assessment, we identified a subset of those risks and assessed their likely impacts on the Group over the different time periods described above.

Scenario analysis	Risks: Physical risk (chronic)	Transition: policy and legal	Transition: reputation	Transition: market
Description	Permanent changes to sea, river or lake levels could impact our ability to conduct our business in some areas.	i. Exposure to litigation due to our inability to comply with environmental law. ii. Emerging new reporting standards in many of our markets will impact the Group.	Increased stakeholder concern or negative stakeholder feedback relating to our ability to transition effectively to a lower carbon economy.	Uncertainty around the costs incurred in moving to a net zero economy.
Likelihood	Unlikely	Possible	Unlikely	Likely
Impacts	Decreased revenue and assets, capital and financing.	Increased costs and decreased revenue. Increase in liabilities. Decreased capital and financing.	Decreased capital and financing.	Increased costs. Decreased capital and financing.
Impacts on different time periods	S – Low M – Low L – Medium	S – Medium M – Medium L – High	S – Low M – Low L – Medium	S – Low M – Low L – Medium

This work has led us to conclude that:

1. the Group's business strategy appears to be resilient to climate risks and opportunities, in particular over the short term;
2. the Group will continue to review how it might need to address risks and opportunities through the regular strategy process; and
3. the Group does not envisage material impacts on its financial performance or financial position in the short term and will continue to review this assessment as it gains better insights into relevant physical and transition risks.

Further enhancing our approach to scenario analysis process will be a key focus in 2023.

Risk Management

TCFD recommendation:
a) Describe the organisation's processes for identifying and assessing climate-related risks.

Climate risk is one of 19 key risk categories used to monitor risks relevant to the Group. The process for assessing and identifying climate-related risks is the same as other risk categories and is described on pages 58 and 59. For each of our key risks we have a risk management framework detailing the controls we have in place, who is responsible for managing both the overall risk and the individual controls mitigating it. The Group Risk Owner for climate change is responsible for identifying and categorising the risks; inputting and maintaining them on the Group Risk Register and reporting them to the Risk Advisory Group, which meets quarterly. The outputs from this meeting are reported to the Audit and Risk Committee.

The Group Risk Owner is also responsible for ensuring that the financial impacts are assessed as accurately as possible. This is undertaken through discussions with subject matter experts and business owners across the Group to understand the full impact and likelihood of the risk materialising. Key Risk Indicators (KRIs) are also discussed with all business owners, with a view to having both leading and lagging KRIs for all the risks identified. Discussions with business owners also cover mitigation or controls that may already be in place. Existing controls are examined to ensure they are appropriate and as all-encompassing as possible. Where gaps are identified, the Group Risk Owner works with the business to understand what is needed to address such gaps.

TCFD recommendation:
b) Describe the organisation's processes for identifying and assessing climate-related risks.

In 2021, the Board agreed that climate change would become a risk monitored through the Enterprise Risk Management framework and during 2022 it was integrated in the Group's risk management framework. Throughout the year, the priority was to ensure we embed climate risk within our broader risk framework through improvements to risk taxonomy, risk control and risk monitoring.

TCFD recommendation:
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Climate change risk, by its nature, requires integration and support with other risk categories, including Safety, Reputation and Business Continuity. These inter-relationships have been identified, analysed and agreed, with action plans in place to ensure that the negative impact on the business are minimised.

Looking forward, we will refine our risk management processes in respect of climate. In particular we will look to update our financial modelling to ensure that the potential financial impacts on the Group arising from climate are assessed properly. We will also continue to develop controls and the key risk indicators used to monitor this risk.

Metrics and targets

TCFD recommendation:
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 report Scope 1 and Scope 2 emissions in line with current regulations as detailed below. We report on Scope 1 and 2 emissions which comprise electricity, district heating, gas and fuel for cars. Of this, transport by car, is our most material GHG emission. In 2023 we will look to conclude on appropriate metrics and targets.

TCFD recommendation:
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

We report annually 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 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 latest GHG conversion factors and the current edition of the IEA emission factors for non-UK electricity. The emission data covers all our offices. These sources fall within our Consolidated Financial Statements. Where data was incomplete, we have extrapolated data in line with this methodology.

In 2022, the Group's GHG emissions for Scope 1 and 2 increased year on year by 1% as normal business operations resumed following the pandemic. Our employees returned to work in our offices on a flexible basis and customer representatives were able to visit customers on a weekly basis. This resulted in a 4% increase in business-related car travel compared with 2021. However, overall fuel use has decreased by 21.7% since 2019 which was the last year of full scale operations before the pandemic. This is due primarily to the gradual replacement of diesel and petrol cars with lower emission LPG vehicles in the Company's fleet, as well as the increasing share of digital loans in our product portfolio. Taking into account that business travel by car represents 91% of our total Scope 1 and 2 emissions each year, our overall footprint in 2022 also decreased significantly by 24.5% compared with 2019.

In 2022, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008:

i. the Group's Scope 1 and 2 emissions in the UK represent 0.8% of the Group's total (2021: 0.5%);
ii. the Group used 4.2m kWh of electricity (2021: 4.3m kWh) with the UK representing approximately 2.9% of the Group's total (2021: 5.2%); and
iii. no actions were taken during the year with the express purpose of increasing the Company's energy efficiency.

For Scopes 1 and 2, transport by car will remain our priority in 2023 and we plan to continue replacing our petrol and diesel car fleet with LPG and hybrid cars. Scope 3 (indirect emissions) have not been included in our 2022 reporting. However, we intend to assess how best to measure indirect emissions (Scope 3) in 2023, in particular: paper use, waste and recycling. In line with best practice, we have restated our Scope 1 and 2 emissions for 2021 in the table below.

Our GHG emissions report has been reviewed and verified by Be Sustainable Limited and the statement of verification can be found in the sustainability section of our website at ipfin.co.uk

		Tonnes CO_2e					
GHG emission sources	Travel and utilities	2019	2020	2021*	**2022**	**2022 as a % 2021**	Difference
Scope 1	Gas	927	1 008	476	**508**	**106.8%**	6.8%
	Business travel by car	24,273	16,304	18,277	**19,012**	**104%**	4.0%
Scope 2	Purchased electricity and district heating	3,236	2,664	2,494	**1,937**	**78%**	(22.0)%
Scope 1 and 2		28,437	19,976	21,247	**21,457**	**101%**	1.0%
	tCO_2e emissions by customer	0.013	0.011	0.013	**0.128**	**98.5%**	(1.5)%

* 2021 data was restated from 20,841 to 21,247 tCO_2e to account for estimates made for Q4 2021 when final figures for some gas, electricity and district heating were not available.

TCFD recommendation:
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Our focus in 2022 has been on robustly assessing the risks and opportunities of climate change for the Group and enhancing our risk management, and we have not progressed defining and agreeing specific targets beyond initial scoping discussions.

In 2023, we will look to set targets which are credible. We will also look to progress preparation of a transition plan designed to achieve delivery of these targets.

TCFD compliance status as at January 2023

TCFD Recommendation	Principle	Compliance
1	Governance – a) Describe the board's oversight of climate-related risks and opportunities.	Substantive compliance.
2	Governance – b) Describe management's role in assessing and managing climate-related risks and opportunities.	Substantive compliance.
3	Strategy – a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.	Substantive compliance.
4	Strategy – b) Describe the impact of climate related risks and opportunities on the company's businesses, strategy and financial planning.	Substantive compliance.
5	Strategy – c) Describe the resilience of the company's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	Working towards – we expect to complete scenario analysis in 2023.
6	Risk management – a) Describe the company's processes for identifying and assessing climate-related risks.	Substantive compliance.
7	Risk management – b) Describe the company's processes for identifying and assessing climate-related risks.	Substantive compliance.
8	Risk management – c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated in the company's overall risk management.	Substantive compliance.
9	Metrics and targets – a) Disclose the metrics used by the company to assess climate related risks and opportunities in line with its strategy and risk management process.	Working towards – we expect to conclude on appropriate metrics and targets in 2023.
10	Metrics and targets – b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Substantive compliance on Scopes 1 and 2. We will review further the position on Scope 3 in 2023.
11	Metrics and targets – c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.	Working towards – we expect to conclude on appropriate metrics and targets in 2023.

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 – p10-11 – Key performance indicators – p22-23 – Principal risks and uncertainties – p58-62 – Managing a responsible business – p47-48	– Customer numbers – Customer recommendations – Complaint levels
Employees	– Code of Ethics – Group health and safety policy – Wellbeing policy – Diversity policy	– Our social role – p8 – Valued people and communities – p44-46 – Board diversity – p45, p69 and p86 – Equal opportunities – p45 – Principal risks and uncertainties: People risk – p62	– Colleague turnover and stability – Risk assessment completion by customer representatives – Percentage of relevant colleagues completing safety training – Proportion of female colleagues
Human rights	– Code of Ethics – Human rights and modern slavery policy	– Managing a responsible business – p47-48	– Access to confidential whistleblowing service – Percentage of relevant colleagues completing ethics and modern slavery awareness training
Social matters	– Code of ethics – Tax strategy	– Our social role – p8 – Principal risks: Reputation risk – p61 – Financial inclusion – p42-43 – Managing a responsible business – p47-48	– Investment in local communities – Hours of colleague volunteering – Tax payments
Anti-bribery and corruption	– Anti-bribery and corruption policy – Gifts and hospitality policy – Anti-facilitation of tax evasion policy – Know your customer and anti-money laundering	– Code of Ethics – p47 – Managing a responsible business – p47-48	– Percentage of relevant colleagues completing anti-bribery training, ethics training and anti-facilitation of tax evasion training – Coverage of current anti-bribery risk assessments – Anti-facilitation of tax evasion risk assessment
Environmental matters		– TCFD – p49-56 – Greenhouse gas reporting – p55	– Tonnes of CO_2e emissions per customer per annum
Principal risks		– Principal risks and uncertainties – p58-62	
Non-financial KPIs		– Non-financial key performance indicators – p23	– Customer numbers – Customer recommendations (Net Promoter Score) – Employee and customer representative turnover and stability – Community investment

Principal risks and uncertainties

Our Enterprise Risk Management approach delivers an effective and critical process to manage the risks and opportunities facing the business, particularly in times of heightened uncertainty. This supports the Group in delivering long-term shareholder value and protects our people, assets and reputation.

Enterprise Risk Management approach

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

The approach that the Group has taken to fulfil the Code's provisions is the Enterprise Risk Management (ERM) methodology. As part of this approach, the Board has established processes and procedures to manage risks.

The ERM process covers a wide range of risks and uncertainties that could have a significant impact on the Group's objectives or on key stakeholder expectations. Within this, we have identified the principal risks detailed on pages 60-62 which we believe have the greatest potential to threaten the business model, future performance, solvency or liquidity, and reputation. This approach to principal risks is in line with the UK Corporate Governance Code (2018) guidance.

In 2022, we performed regular assessments of the principal risks to the Group in line with the ERM approach. While we continued to assess and monitor the same risk categories as we did in 2021, we concluded that some of these risks are not material threats to the business model, future performance, reputation, solvency or liquidity and have, therefore, removed them from the list presented in Principal risks and uncertainties section of this report. These are Competition, Business Continuity, Information Security, and Safety.

We have also included two new risk categories in the ERM programme. While we considered climate-related risks as an emerging risk in 2021, we took further actions in 2022 to include climate change as a risk category under the ERM programme. We have also defined, assessed, and set the risk management strategy for the Financial Reporting and Control risk category, which is the risk of failure or breakdown in the integrity of the financial control and reporting systems. The terms of reference for the Audit and Risk Committee were updated following consideration by the Committee and amongst the changes was a specific reference to managing climate risk.

The Board completed the assessment of the Group's emerging and principal risks. Further detail is included on page 59 demonstrating how the principal risks to the future success of the business have been considered and addressed.

Risk appetite

We evaluate each risk category formally at least quarterly based on the likelihood and potential impact of the risk at both market and Group level. We consider three aspects:

- Inherent risk level – the level of risk before internal controls;
- Residual risk level – the level of risk that remains after the effect of current controls is considered; and
- Appetite risk level – the level of risk that the Group is prepared to accept in execution of the strategy.

In addition, we measure and monitor the key risk indicators set for each risk category. 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 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 and therefore the internal control system is key in how we manage risks. Externally-driven risks are 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.

Risk governance and oversight structure

Our framework for the identification, evaluation and management of our principal and emerging risks is illustrated on page 59. 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 ERM process.

The three lines of defence

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

First line:

- Group Risk Owner: Provides oversight of risk management effectiveness and leadership for the risk category. Designs the risk management strategy for their area and advises the local risk owner around implementation.
- Local Risk Owner: We have a local risk owner in each business unit for each risk category. They identify, assess and manage risks in their business and work closely with the Control Owner in the risk control phase.
- Control Owner: Executes risk control and actions within their remit as requested by the Local Risk Owner.

Second line:

- Risk Advisory Group (RAG) Chair: Establishes the ERM framework and strategy. They also provide assurance over the ERM process.
- ERM function: Supports the RAG Chair with implementation of the ERM framework and facilitation of the quarterly risk assessment process.

Third line:

- Internal Audit: Internal Audit reviews the operation and oversight of the systems of internal control, including risk management. The Group Head of Internal Audit reports independently to the Chair of the Audit and Risk Committee.

Risk governance and oversight structure

Board of Directors

Determines the nature and extent of principal risks we are willing to take to achieve strategic objectives

Audit and Risk Committee

Reviews the processes for management of principal risks and internal control systems on behalf of the Board

Risk Advisory Group

Supports the Audit and Risk Committee in reviewing risk exposure levels against risk appetite

Management team

Responsible for the day-to-day risk management and internal control systems

Emerging risks

In our view, an emerging risk is an existing or future trend which could have a significant impact on the Group, but where the likelihood, timescale and/or materiality may be difficult to assess.

When we consider the Group's risk profile, which is established through quarterly risk assessments to determine a point-in-time representation of the risks that the business faces, we acknowledge the identified emerging risks as well because these may significantly change the overall risk landscape.

Emerging risks are monitored to determine if they have become key risks and if any mitigating actions should be taken. When we consider our response to emerging risks, we classify these into two categories, based on the type of response action. Those with a high velocity will be addressed as crisis events and crisis management protocols will be triggered. Those with moderate and low velocity, will be monitored and reported on until the impact is better understood and specific response actions developed (contingency plans).

Throughout 2022 we monitored the following emerging risks:

Geopolitical risk: war in Ukraine – We anticipated that the situation in Ukraine would have several impacts across the Group, ranging from unavailability of our people, customers or suppliers through to the potential impact on credit risk, fraud, and funding, currency and liquidity. Our markets have taken the lead on addressing this situation as a crisis for the majority of operational risks. Impacts on currency, counterparty, liquidity and information security were further analysed and addressed. The risk has been reflected in the risk register and at the end of 2022 was no longer considered as an emerging risk.

EU Consumer Credit Directive Review (CCD) – Numerous amendments were proposed to the CCD especially in relation to potential price caps, credit worthiness and advertising. The frequency and number of proposed amendments made it challenging to assess the likelihood and impact on the Group and as such it has been considered an emerging risk. A Group-led project has been implemented to understand, monitor and engage in the consultations.

Tax developments – There are a few emerging trends, including potential initiatives affecting EU operations, such as the European Commission's initiative on debt-equity bias reduction allowance (DEBRA) and the potential reform of the financial services VAT exemption. Expected to be incorporated into domestic legislation in 2023 is the OECD's minimum corporate income tax initiative (Pillar 2) which we have been monitoring throughout the year. We have reviewed OECD guidance and draft legislation published by the UK government to implement the initiative. The position continues to develop and the impact on the Group cannot yet be assessed accurately. The Group will continue to review further guidance and legislation relating to the new regime and assess its potential impact.

Disruptive new business models – The emergence of new consumer finance business models including buy-now-pay-later and other non-traditional fintech models are attractive to certain consumer segments and could impact existing and potential customer numbers. However, it is difficult to assess if these models will be successful in the long term and what the impact may be on the Group. We continue to monitor these trends.

Principal risks

1 Credit risk

The risk of the Group suffering financial loss if its customers fail to meet their contracted repayment obligations; or the Group fails to optimise profitable business opportunities because of its credit, collection or fraud strategies and processes.

Impact

There has been a challenging macroeconomic environment in 2022, with increasing and high levels of inflation particularly in our European markets. In this context, the Group performed well, with customer repayments in 2022 slightly better than pre-pandemic levels, although there was increasing pressure on customers' affordability towards the end of the year.

Overall, credit losses were lower than pre-pandemic levels, and the impairment rate at the year end of 8.6% is well within our risk appetite.

It is expected that the cost-of-living crisis will continue to put pressure on customers' ability to afford repayments through 2023 in many markets.

How it is managed

- Detailed, regular monitoring of customer repayments to identify specific issues.
- Detailed analysis and enhancement of our credit scorecards and credit policy to ensure they remain optimal.
- Implemented a targeted tightening of credit rules for higher-risk customers from the fourth quarter as a precautionary measure to protect against the risk of customer's affordability worsening.
- Careful, regular assessment of the external environment.
- Ensuring repayments and arrears management activities remain a key part of incentive schemes.

2 Regulatory risk

The risk of failure to operate in compliance with, or effectively anticipate changes to, all applicable laws and regulations (including data protection and privacy laws), or due to a regulator interpreting these in a different way.

Impact

The EU's review of the European Consumer Credit Directive continues and is not expected to conclude before the end of 2024.

New legislation reducing the non-interest cost of credit cap in Poland came into force on 18 December 2022. New affordability rules and supervision of non-bank financial institutions (NBFIs) by the Polish authority, KNF, will be effective from May 2023 and January 2024 respectively. See pages 25-27.

The repayment moratorium in Hungary, introduced in response to the pandemic in 2020, expired in December 2022.

A more regulated and unified financial system may develop across European markets in future. We also anticipate some regulatory developments around labour laws across our markets.

How it is managed

- Robust horizon-scanning monitoring political, legislative and regulatory developments and risks.
- Regulatory Management Framework in place.
- Engagement with regulators, legislators, politicians and other stakeholders together with active participation in relevant sector associations.
- Contingency plans in place to manage significant regulatory changes.
- Compliance programme focused on key consumer legislation and data privacy.

3 Funding, liquidity, market and counterparty risk

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.

Impact

The Group maintained a robust funding and liquidity position throughout 2022, extending £169m of bank facilities in the year and refinancing £40m of the retail bond.

During 2022, Fitch and Moody's reaffirmed the Group's credit rating as BB- (Stable Outlook) and Ba3 (Stable Outlook) respectively.

Global markets continue to be impacted significantly by concerns around high inflation, rising interest rates, supply chain disruptions, and the war in Ukraine. This is likely to continue in 2023 and affect the price and availability of debt funding.

For further information on funding see the Financial review on pages 30-37.

How it is managed

- Board-approved policies require the Group to maintain a resilient funding position with good headroom on undrawn bank facilities, appropriate hedging of market risk, and appropriate limits to counterparty risk.
- Investor engagement and supporting actions.
- Diversified funding profile.
- High equity to receivables ratio.

Risk environment

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

4 Reputation risk

Risk of reputational damage due to our methods of operation, ill-informed comment, malpractice, fines or activities of some of our competition.

Impact

Rising inflation and energy costs put additional pressure on the disposable income of consumers during 2022, which resulted in increased negative sentiment towards the financial sector. However, we proactively maintain dialogue with customers to enable continued access to affordable credit and offer repayment support where appropriate. We also 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 products and services to our customers. This helps protect the business from unforeseen events that could damage our reputation.

How it is managed

- 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.
- Strong oversight by the senior leadership team on reputation challenges.

5 Taxation risk

The risk of additional costs due to 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 tax burden due to future changes in tax law and practice.

Impact

In June 2022 a ruling of the General Court of the European Union was issued, confirming the European Commission's April 2019 Decision on State Aid. In consequence, the Group has derecognised the asset originally booked in respect of payments made during 2021 under Charging Notices issued by HMRC in accordance with the European Commission's Decision. Windfall taxes have been implemented in a number of countries across Europe during 2022. The Group's Hungarian subsidiary is subject to a temporary two year windfall tax and this has been reflected in the Group's tax charge for 2022 as an exceptional item. Further information regarding these issues is set out in the Financial review on page 34.

We continued to monitor international tax developments during the year.

One of the Group's Mexican entities and the Group's Polish digital entity are currently subject to tax audit.

How it is managed

- Tax strategy and policy in place.
- Qualified and experienced tax teams at Group level and in market.
- External advice taken on material tax issues in line with tax strategy.
- Binding rulings or clearances obtained from authorities where appropriate.
- Appropriate oversight at executive level over taxation matters.

6 Change management risk

The risk that the Group suffers losses or fails to optimise profitable growth resulting from strategic business projects failing to deliver to requirements, budget or timescale, failing to implement change effectively or failing to realise desired benefits.

Impact

The change agenda can be assessed through three lenses:

- regulatory-driven change, which is sometimes unpredictable and might have significant business impact if not addressed and prioritised;
- migration to 'next-gen' platforms which mitigate end-of-life risk; and
- business-driven change which reflects internal requests that will enable improvements or enhance performance.

While 2022 was a challenging year due to both the economic downturn and changes in the regulatory environment, we have taken significant actions to address the resource capacity required to deliver the change agenda, prioritise the change portfolio and run the delivery framework across the Group.

How it is managed

- Change management framework and monitoring process in place.
- Appropriate methods and resources used in the delivery of change programmes.
- Continuous review of change programmes, with strong governance of all major delivery activity.

Risk environment

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

7 Product proposition risk

The Group fails to optimise profitable operation due to a failure to understand and respond to market trends, (e.g. customer needs, regulatory, macroeconomic or competition) or failing to deliver products which address these trends in a profitable manner.

Impact

The challenging macroeconomic environment, particularly high inflation in the Group's European markets, may have a negative impact on the delivery of product and promotions benefits. However, there are robust processes in place to monitor and address issues at the earliest opportunity.

In 2022, a relatively stable competitive environment returned as the impact of Covid-19 reduced. There are indications that buy-now-pay-later operators, which grew rapidly in 2021 in many of our markets, are less successful than previously anticipated, particularly in light of increased interest rates and cost-of-living pressures.

There is some evidence of reducing risk appetite from banks in response to increasing inflation.

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.

How it is managed

- Product development committees and processes in place to review the product development roadmap, manage product risks and develop new products.
- Regular monitoring of competitors and their offerings, advertising and share of voice in our markets.
- Strategic planning and tactical responses on competition threats.

8 Technology risk

The risk of failure to develop and maintain effective technology solutions.

Impact

Technology risks can arise from the speed of technology advancements that could make current technology obsolete or require significant effort to align to strategic requirements.

The focus for 2022 from an IT risk perspective was concentrated around removing some components which were nearing technological obsolescence. Our replacement of telephony systems for our Customer Service Centres with a modern omni-channel solution is progressing well. In addition, good progress was made to move away from a number of physically–hosted data centres into a centralised cloud environment.

How it is managed

- 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.

9 People risk

The risk that 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.

Impact

One of our key people risks is ensuring that we have sufficient capability and quantity of customer representatives to serve our customers. We are constantly taking actions to retain, develop and engage customer representatives to minimise impact on the customer experience or the Group's performance. Throughout 2022, we undertook a global programme to re-engineer our customer representative employee value proposition (EVP). This comprised 25+ workstreams, improving experiences from recruitment and recognition to reward. The result will be a fundamental improvement in the working experience of our customer representatives.

The labour market became increasingly active in 2022, especially in certain specialist areas like IT, but we have taken robust actions to retain and develop our most talented employees through tailored leadership and engagement programmes.

How it is managed

- Actions taken focused on customer representatives including better integration for new joiners, diversifying learning options and monitoring vacant agencies.
- Appropriate distribution of strategy-aligned objectives among employees and customer representatives.
- Key people processes including succession planning, performance reviews and development plans.
- 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.

Viability Statement

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

- Structural changes impacting business growth and profitability;
- The beneficial portfolio effect of operating across a number of different jurisdictions which mitigates concentration risk;
- The Group's multi-channel strategy and strategic priorities;
- Risk appetite, principal risks and risk management processes;
- That the Group 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 Group's business model over many years, including times of adverse macroeconomic conditions and a changing competitive and regulatory environment.

Assessment of continuing operations

The Group has a clear strategy to deliver its purpose and long-term profitable growth. 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 macroeconomic and regulatory risks) as outlined on pages 60-62. 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 2024 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 35-36.

Approval of the Strategic Report

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

Gerard Ryan
Chief Executive Officer

1 March 2023

Chair's introduction

"A robust corporate governance framework sits at the heart everything we do as a Board in supporting the delivery of the Company's strategy aligned to our purpose and culture."

Stuart Sinclair
Chair

I am delighted to present to our shareholders this Corporate Governance Report covering the year to 31 December 2022. Whilst the challenges arising from the pandemic lessened during the year, these were unfortunately replaced by concerns raised by the war in Ukraine and by the knock-on effect of rising energy costs and other inflationary effects leading to a cost-of-living crisis, particularly in the UK and across Europe.

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. To support the Board in its commitment, a comprehensive review of governance-related documentation for the Board and its Committees was undertaken at the end of the year. This included a refresh of the Matters Reserved to the Board schedule and the Terms of Reference for each of the Board Committees, to better align them with the 2018 UK Corporate Governance Code and market best practice, and to address specific requirements arising from the Task Force on Climate-related Financial Disclosures (pages 49 to 56).

As the adverse impacts of the pandemic continued to ease, the Board settled into a routine of hybrid and face-to-face meetings, noting the preference was for the latter in recognition of the benefits of engaging with colleagues across the Group face to face.

Board composition

The composition and size of the Board is reviewed regularly, and the skills and experience directors bring are summarised on pages 66 and 67. Our Board is well balanced and diverse, with a good mix of business knowledge, board experience, international exposure and independence.

During the year, the Board's composition met with the requirements set out in the 2018 UK Corporate Governance Code, with more than half of its directors (excluding the Chair) deemed to be independent non-executive directors and with the target set by the Hampton-Alexander review for 33% female representation. At the end of 2022, the Board comprised four men and three women, with two born outside of the UK. For a Company such as ours, with a diverse workforce and a wide geographic spread, we believe this level of diversity is key to ensuring that the Board's support and challenge has an appropriate focus.

Board changes

The Board was pleased to welcome Chief Financial Officer, Gary Thompson, who joined the Board in April 2022, following CFO Justin Lockwood's departure in July 2021. During 2022, Bronwyn Syiek and John Mangelaars stepped down as non-executive directors of the Board in July and December, respectively, after many years of excellent service. A rigorous selection process was undertaken which resulted in Katrina Cliffe and Aileen Wallace joining the Board as non-executive directors in August and December, respectively. Further details on the recruitment process can be found on page 88. On behalf of the Board, I would like to take this opportunity to thank wholeheartedly, Bronwyn and John for being outstanding Board members, both highly engaged throughout their tenure, with significant contributions made to the Board's debates and decisions. Upon joining the Board, Katrina was appointed a member of the Audit and Risk Committee and Workforce Engagement Director, and Aileen a member of the Nominations and Governance Committee.

All the directors will be proposed for re-election, or election in the case of Katrina and Aileen, at the AGM in April 2023.

Succession planning

Our succession-planning process has been strong, particularly in a year when we saw the departure of two valued Board members, the appointment of a new Chief Financial Officer and the replacement of our Workforce Engagement Director. The Board, assisted by the Nominations and Governance Committee, has continued to broaden its 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 Nominations and Governance 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

We have a diverse and global community of stakeholders which we consider to include our customers, colleagues, communities, investors, suppliers and the regulators and legislators relevant to our businesses. The Board recognises the importance of creating and maintaining close relationships with our stakeholders in order to better understand their needs and to inform decision-making including how each stakeholder group will be impacted. These deeper insights into particular areas also assist the Board and the senior leadership team in shaping our overall strategy.

The Board actively seeks opportunities to engage with all stakeholders, whether this be directly, or indirectly through management and further details of how the Board engages with each of our key stakeholders and examples of how they have been considered in the decisions made during the year are included on pages 75 and 76. The directors' duties under s172 of the Companies Act 2006 underpin the sound governance at the centre of our decision-making. Further information regarding our s172(1) statement is on page 39.

Whilst the Board strives to achieve the best outcome for all our stakeholders, it recognises that It is not always practicable to please all stakeholders all of the time and therefore 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.

Following on from the extensive engagement exercise on purpose undertaken in 2021, the Board's focus in 2022, in what has been a transitional year, has been on ensuring that management continued to embed and communicate our purpose and values across the business. There have been many changes made throughout the business, all of which have built on our culture and how we do the right thing for our customers, our shareholders, our communities, and the environment, to continue the Group's evolution in the years ahead.

For further information on how we ensure that our purpose, values, culture and strategy are aligned and embedded throughout the Group, see page 74.

Environmental, social and governance (ESG)

The Board recognises the continued importance with which ESG matters are viewed by investors with the link between ESG performance and long-term sustainability being widely acknowledged.

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 and the Board's approach is reflected in the Group's corporate culture and values of being responsible, respectful, and straightforward.

One of the key priorities for 2022 agreed by the Board at the beginning of the year was to oversee the development of the Group's ESG strategy which included monitoring and reviewing ESG risks and opportunities material to the Group's stakeholders and increase awareness of the social importance of the business and the wider role it plays in society.

Further detail on how our ESG-related strategy has been progressed is on 77.

Board evaluation and effectiveness

An important requirement of good governance is for an annual Board evaluation to be carried out to assess whether the Board continues to operate and perform effectively. In line with the 2018 UK Corporate Governance Code, an externally-led evaluation was undertaken at the end of the year. The overall conclusions were that the Board was working well and further details on the review findings and recommendations, and the actions agreed can be found on pages 77 and 78.

Board training

The Board recognises the importance of ongoing training for the directors. As well as a formal annual Board training session, all directors are given the opportunity to update their skills and knowledge on a regular basis and new directors are provided with a tailored induction programme. The non-executive directors also undertake to keep themselves 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 offering, including insurance, with a focus on financial performance and regulatory compliance;
- An update on e-Money Licence regulatory requirements in Estonia;
- An explanation of Small Payment and Payment Institution Licence requirements in Poland;
- An assessment of potential outcomes of planned changes to the European Union Consumer Credit Directive; and
- An explanation of political and regulatory developments in the markets in which we operate.

Other training in relation to audit and risk matters is detailed on page 94.

Our Board and Committees

Stuart Sinclair
Chair

N R

Length of service: 3 years

Responsibilities: Good corporate governance and best practice, leading an effective Board with a focus on strategic planning and implementation. Chair of Nominations and Governance 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 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. Non-executive director and chair of remuneration committee for Lloyds Banking Group plc and 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
Executive director and Chief Executive Officer

D N

Length of service: 11 years

Responsibilities: Group strategy, operational management, leadership of the executive 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
Independent non-executive director

A N R

Length of service: 4 years

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 director of Lloyds Banking Group/Scottish Widows Insurance Board, non-executive Chair of Diaceutics PLC, non-executive director of The Institute of Directors in the UK, IDEX Biometrics ASA 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

Richard Holmes
Senior independent non-executive director

A N R

Length of service: 3 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

Gary Thompson
Executive director and Chief Financial Officer

D

Length of service: 11 months

Responsibilities: Group financing, financial performance and reporting; Board accountability for Internal audit and taxation; the executive relationship with the external auditor; leadership of the Group Finance team and other corporate functions; and lead Board member for climate-related matters.

Key skills: Strong financial leadership with over 20 years' financial experience spent in both the accounting and corporate sectors.

Contributions: Since joining IPF and the Board, developing a sound understanding of the Group's operations, enabling him to effectively support the Board, the CEO and executive management in driving optimum financial performance.

Former roles: Finance Director of Vanquis Bank Limited, the major subsidiary of Provident Financial plc, following a number of finance roles, including Director of Group Finance and Investor Relations, at Provident Financial Group plc. Qualified as a Chartered Accountant at PricewaterhouseCoopers and spent 10 years working in professional practice.

Qualifications: Fellow of the Institute of Chartered Accountants in England and Wales.

International expertise: EMEAs

Katrina Cliffe
Independent non-executive director

A

Length of service: 8 months

Responsibilities: Workforce Engagement Director

Key skills: Extensive experience of financial services with a breadth of executive experience in retail financial services, credit cards, customer service and marketing.

Contributions: Expertise in retail financial services, credit cards, customer service and marketing.

Current directorships: To be appointed a non-executive director of DCC plc with effect from 1 May 2023.

Former roles: Senior Independent non-executive director of Homeserve plc until January 2023. Senior roles at American Express, Lloyds TSB Group PLC, Goldfish Bank Ltd and MBNA International Bank and has been a non-executive director at London and County Mortgages Limited, Shop Direct Finance Company Limited, Cembra Money Bank AG and Naked Wines plc.

Qualifications: Degree in Archaeology and Anthropology from the University of Cambridge

International expertise: EMEAs

Aileen Wallace
Independent non-executive director

N

Length of service: 2 months

Key skills: Senior financial services executive with a wealth of transformational leadership experience including business build-out and digitally enabled growth.

Contributions: Enhancing Board discussions focused on technology, innovation and change.

Current directorships: Non-executive director of Hodge Group Board and Hodge Bank and Chair of the Innovation and the Remuneration Committees and non-executive director of Target Group Ltd, a Tech Mahindra business and Chair of the Group Risk Committee.

Former roles: Executive director of Co-operative Bank and Chair of ESG Committee; executive director of Yorkshire Bank Home Loans Board; executive director of National Australia Bank; and head of and director roles at CYBG Plc.

Qualifications: Chartered Banker (MCBI), and various qualifications from the Institute of Risk Management, the Institute of Directors and the British Computer Society.

International expertise: EMEAs, Asia Pacific

A Audit and Risk Committee

D Disclosure Committee

N Nominations and Governance Committee

R Remuneration Committee

Committee Chair

Governance at a glance

2022 highlights

Made progress on enhancing our product propositions and distribution channels for the next generation of customers.

Responded to regulatory change in Poland and evolved strategy and products to reflect new requirements and mitigate impact on financial performance.

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

Continued progress on the Group's purpose journey, embedding this within the Group's culture.

Increased access to quality development opportunities for all colleagues.

Successfully extended banking facilities and refinanced the sterling retail bond.

Key priorities for 2023

To successfully execute our strategy to support our customers who are experiencing challenging economic times.

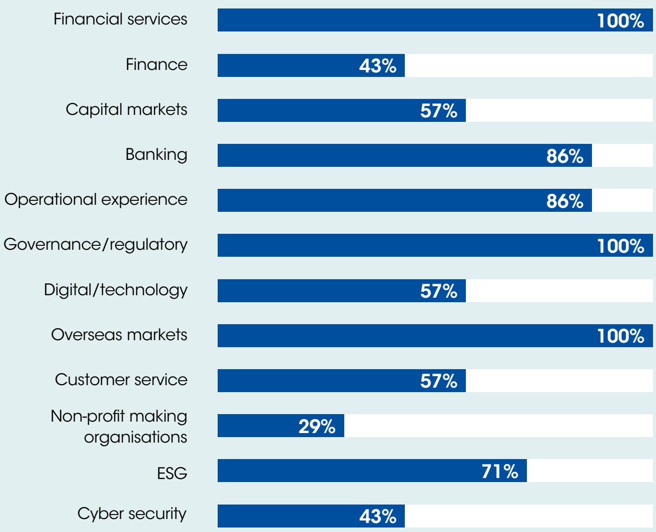
To transition our Polish business to the new lower total cost of credit cap, serving customers with our new credit card proposition.

To continue the development and enhancement of technology platforms for our credit card, mobile wallet and new digital onboarding, and to continue to create value from data science.

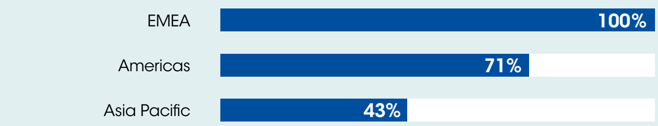
To seek additional structural cost savings to counter inflationary effects.

To diversify funding sources and seek longer term options to increase the Group's access to funding at acceptable rates.

Board skills



International expertise



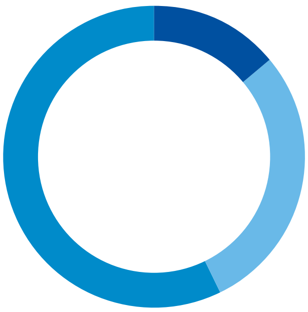
Board attendance 2022

There were seven scheduled Board meetings and one ad hoc meeting where the Board discussed and approved the refinancing of the £78m retail bond maturing in December 2023, with details of attendance set out in the table below. There was also a mid-year and an annual strategy review meeting.

Director	Meetings[1]	No. of meetings attended	% of meetings attended
Stuart Sinclair	8	8	100%
Gerard Ryan	8	8	100%
Katrina Cliffe[2]	4	4	100%
Deborah Davis	8	8	100%
Richard Holmes	8	8	100%
John Mangelaars[3]	8	6	75%
Bronwyn Syiek[4]	4	4	100%
Gary Thompson[5]	5	5	100%
Aileen Wallace[6]	–	–	–

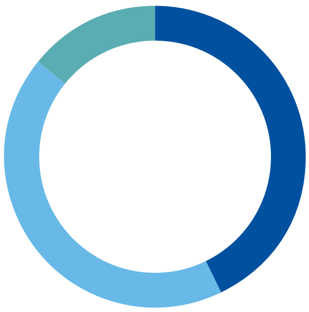
1. The meetings that each individual was entitled to and had the opportunity to attend.
2. Katrina Cliffe was appointed as a director on 1 August 2022.
3. John Mangelaars stepped down as a director in December 2022.
4. Bronwyn Syiek stepped down as a director in July 2022.
5. Gary Thompson was appointed as a director on 4 April 2022.
6. Aileen Wallace was appointed as a director on 20 December 2022.

Board composition



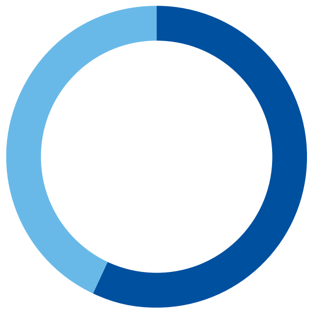
Chair	14%
Executive directors	29%
Non-executive directors	57%

Board tenure



Under 3 years	43%
3-6 years	43%
6-9 years	0%
Over 9 years	14%

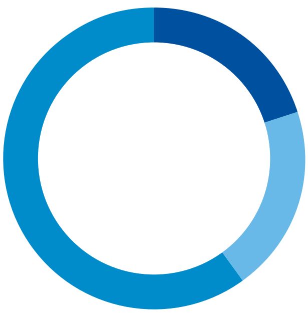
Board diversity



Male	57%
Female	43%

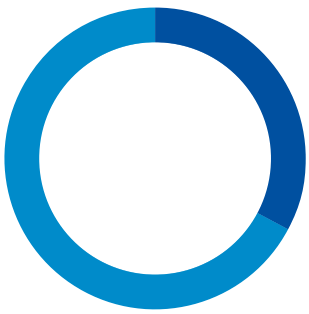
Committee compositions

Nominations and Governance Committee



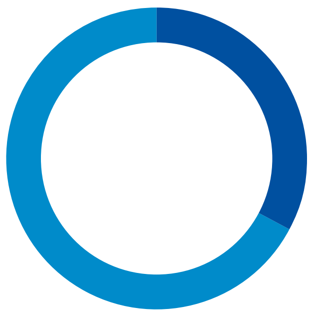
Chair	20%
Executive directors	20%
Non-executive directors	60%

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 39 for our s172(1) statement).

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

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

Board Committees and their reserved matters

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

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

Nominations and Governance 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

Disclosure Committee

Assist in design and evaluation of disclosure controls and procedures

Monitor compliance with disclosure controls and procedures

Review requirement for, and content of, regulatory announcements

Board – key priorities

The Board reports below on the progress against its 2022 priorities and on the key priorities set for 2023.

2022 progress	Key priorities for 2023
Strategy	
– Monitored the financial and operational performance of the Group's businesses and the strength of the balance sheet, by reviewing trading performance against budget. – Oversaw the implementation of the Group's strategy to broaden its offering with new and innovative products including the launch of a new credit card in Poland and the launch of mobile wallet in two new markets; – Oversaw the development of a new cloud-based customer relationship management tool to improve customer experience. – Supported the process to embed the new financial model into management and board decision-making.	– Continue to monitor the financial and operational performance of the Group's businesses and the robustness of the balance sheet. – Seek new ways to drive efficiency gains and make additional structural cost savings to counter inflationary effects. – Manage the Polish business through transition to becoming a predominantly credit card based business to mitigate the impact of the new Polish total cost of credit cap. – Increase European home credit customer numbers through deployment of new products and channels and re-positioning of our brand to become known more broadly for financial services. – Increase IPF Digital customer numbers through territory expansion and operational rigour; and by building digital partnerships and further accelerating deployment of our mobile wallet.
Colleagues	
– Continued to oversee the management of activities introduced through the Global Care Plan to mitigate the impact of the pandemic on colleagues across the business, with particular regard to their safety and protection, and mental health and well-being.	– Continue to promote the Global Careers Portal and build on existing investment in development plans created for all colleagues.
Purpose	
– Supported the continuing journey to become a more purpose-led business and ensured alignment with the Group's business model, values, culture and strategy.	– Continue with purpose-led activities including the Employee Value Proposition and the Global Community Invisibles initiative.
Digitisation	
– Supported the implementation of new technologies and innovation, enhancing product propositions and improving the customer experience.	– Continue to develop and enhance technology platforms for credit cards and mobile wallet propositions and new digital on-boarding. – Deliver more value from data science.
Risk management	
– Monitored principal and emerging risks facing the Group, embedded climate change within the Enterprise Risk Management framework and approved the Group's risk appetite.	– Continue to monitor the principal and emerging risks facing the Group, to review the Group's risk appetite for each, and promote actions to ensure that, so far as possible, each risk falls within such risk appetite.
Stakeholder engagement	
– Following the easing of people movement restrictions, the directors were able to resume travel to our markets and engage more effectively with stakeholders. Where applicable feedback was considered as part of the Board's decision-making processes, as described on pages 75 and 76.	– Continue to engage effectively with all stakeholders and, where practicable, take their feedback into account in the Board's decision-making.
Succession planning	
– Oversaw the refresh of the Board's composition with appointments of a new CFO and two female non-executive directors. – Supported furtherance of the Group's people strategy with significant investment in education, leadership development and promotion opportunities which will assist succession planning.	– 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	
– Monitored the Group's funding position and development of longer-term funding strategies, approving the refinancing of the sterling retail bond. – Endorsed the long-term progressive dividend policy for 2022 and future years.	– Consider diversification of funding sources and find longer-term options to increase the Group's access to funding at acceptable rates.

Board activities during 2022

The Board has ultimate responsibility for the overall leadership of the Group, overseeing the development and delivery of a clear Group strategy and 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 on its proposals relating to the management of the business. 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 during 2022 and the discussions that took place in the discharge of its duties to the Company. Our s172(1) statement is on page 39.

The Chair sets the annual Board programme and agenda, with support from the CEO and the Company Secretary. The Chair also determines the number of meetings to be held during the year, with this kept under review, and 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. The Board agendas are structured to ensure there is an appropriate balance of time allocated to strategic matters, routine reporting and governance-related items.

At each scheduled Board meeting, the CEO and CFO 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.

Other presentations and reports are given by the relevant business head or manager on matters which are scheduled to be presented in accordance with the annual board planner, which is aligned to the Matters Reserved to the Board schedule. This provides the opportunity for a range of senior and manager-level colleagues to gain experience of attending and presenting to the Board.

In addition to the routine Board meetings, the Board participated in an annual and mid-year strategy review. The discussions focused on continuing to support our customers through challenging times, expanding our customer offering and growing our customer base,and continuing to invest in and develop our colleagues. An ad hoc Board meeting was held in November 2022 to consider and approve the refinancing of the sterling retail bond.

In 2022, with the easing of pandemic-related restrictions, the Board was able to resume meeting in person and the majority of meetings were held in the Group's head office in Leeds, with a market-based Board meeting re-instated for the October 2022 meeting, The Board welcomed this change in recognition of the benefits of face-to-face engagement with the senior leadership team and colleagues.

An overview of the range of matters that the Board considered, discussed or approved where appropriate and the stakeholders considered at its meetings during the year are outlined below and on page 73.

Matters considered	Outcome	Our stakeholders
Strategy and management	– Reviewed and approved the Group's strategy at the annual and mid-year review meetings and received updates at intervals during the year. – Reviewed the progress against 2022 Board objectives and agreed the 2023 Board objectives. – Considered the potential impact of proposed consumer credit legislation in Poland and agreed the strategic approach to launch a new credit card. – Reviewed the operational and financial performance with regular presentations from the CEO, CFO and members of the Group Finance Leadership Team enabling oversight of business performance against targets, budget and strategy. – Considered and approved the Group's climate-related strategy in line with the TCFD recommendations. – Supported the continuation of the strategic retail partnership initiative with the long-term aim of strengthening our market position. – Reviewed and discussed the development of the Group's IT strategy, as part of the decision to dissolve the Board Technology Committee.	
Board composition and effectiveness	– Reviewed Board composition regularly to ensure the right mix of skills, knowledge, experience and diversity for the Board to continue to be effective. – Reviewed succession plans for the Board, its committees and the senior leadership team. – Reviewed and considered conflicts of interest, independence and time commitments of the directors. – Participated in an externally-facilitated Board evaluation process and agreed actions following a review of findings. – Received training including an annual session on licensing and the Consumer Credit Directive.	

Matters considered	Outcome	Our stakeholders
Financial reporting	– Approved the 2021 Annual Report and Financial Statements and the long-term viability and going concern statements. – Reviewed and approved the half- and full-year results announcements, quarterly trading updates and presentations to investors and analysts. – Reviewed the dividend cover and shareholder returns particularly in the context of continued rebuild of the business following the pandemic. – Approved the progressive dividend policy for 2022 and future years. – Monitored the Group's funding position and compliance with the Group's financial covenants. – Reviewed and approved Group Treasury policies including a revised Funding Headroom policy. – Approved the re-financing of the sterling retail bond in November 2022. – Approved the 2023 Group budget and business plan for 2023 to 2027, reviewing key assumptions, inputs and risks, and monitored performance and variances against the 2022 budget.	
Risk management and internal controls	– Reviewed and approved risk appetite proposals and the updated Risk Management policy. – Reviewed and approved the assessment of principal risks, including climate risk and emerging risks. – Received reports from the Audit and Risk Committee of the Group's systems of risk management and internal controls and confirmed their effectiveness. – 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. – Approved the reappointment of Deloitte LLP as auditor on the recommendation of the Audit and Risk Committee.	
Governance	– Approved the resolutions to be put to shareholders at the 2022 AGM. – Proactively sought and considered feedback from investors and proxy advisors on the Company's 2022 AGM resolutions, particularly in relation to the proposed new 2023 Remuneration Policy. – Agreed the format of the AGM to be held in person for the first time in two years following the lifting of restrictions post-pandemic. – Approved the appointment of two new independent non-executive directors, Katrina Cliffe and Aileen Wallace, and their respective appointments as members of the Audit and Risk Committee and the Nominations and Governance Committee. – Approved the appointment of Katrina Cliffe as the new Workforce Engagement Director. – Approved updated Matters Reserved to the Board Schedule and Board Committees' Terms of Reference. – Approved the dissolution of the Board Technology Committee. – Reviewed and approved the Group's Tax strategy. – Reviewed and approved the Board Diversity policy. – Noted the resignation of the Company Secretary and the appointment of the new Chief Legal Officer and Company Secretary.	
Stakeholder engagement	– Reviewed updates presented by the Stakeholder Engagement Director on engagement activities undertaken in the first half of 2022, and reviewed the updated approach to be followed in 2023 by the new Workforce Engagement Director in the second half of the year. – Reviewed output from the operation of the 'Speak Up' whistleblowing service. – Received updates on the general well-being and health and safety of colleagues and customers, as part of routine reports from the executive directors and management. – Received reports from across the business on the continuing efforts to support employees and customer representatives in safe ways of working within the Covid-19 landscape, including mental health and well-being together with the continued safety of customers. – Received bi-annual health and safety updates from the Health and Safety Manager. – 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. – Received updates on investor sentiment in response to financial results and from bondholders and potential bondholders garnered in connection with the re-financing of the sterling retail bond. – Considered the increased focus on community-based initiatives as part of the purpose refresh across the Group.	

Our stakeholders

Customers

Employees and customer representatives

Regulators and legislators

Suppliers

Communities

Investors and shareholders

Purpose, culture and stakeholders

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 its shareholders and other stakeholders. It places great importance on ensuring that these continue to be appropriate for the business and the markets in which we operate, while continuing to be aligned with our culture.

Having a clear purpose guides the Board and the executive directors in managing the business 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.

Embedding our purpose in 2023

Our purpose 'to build a better world through financial inclusion' explains why we exist and reminds us of whom 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.

The Board has not only been kept up to date on the activities undertaken but has also been consulted and had the opportunity to contribute to the plans. Over the course of 2022, the Board has supported the four "Pathways to Purpose" created to help to deliver on the vision. These are:

- to build strong foundations by introducing changes to processes and polices;
- to ensure that purpose is the centre of daily action;
- to implement changes relevant to each of the stakeholder groups, demonstrating the journey to shareholders as part of the annual reporting; and
- to engage in internal communication and education.

The Board has received regular updates on progress and recognises that delivering on our purpose is a long-term and evolving journey.

Culture and values

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.

The Board also 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. They support our culture and help our colleagues understand the importance of how we work together as a team and how we place customers at the centre of what we do. Leadership behaviours of the Board, executive directors and senior management further guide our conduct and decision-making so that we do the right thing for the business and all our stakeholders.

The Board routinely interacts directly with colleagues and indirectly through the work of our Workforce Engagement Director, as part of the Workforce Engagement programme. This allows the directors not only to learn first-hand of significant issues and colleagues' concerns, but also to learn about what is working well and they are able to provide feedback in return. As part of this activity the Board is able to gain assurance that the Group's policies, practices and behaviour throughout the business are wholly aligned with the Company's purpose and strategy.

S172 Stakeholder engagement and summary of key matters debated and agreed by the board

1. Considering customers in Board decision-making

The Board routinely receives updates on customers at meetings from both the CEO, following his regular visits across the business, and directly from the business heads, covering European home credit, Mexico home credit and IPF Digital. The Chair, CEO and CFO visited home credit customers during the year and following the easing of Covid-19 restrictions, the Board was able to resume its annual market visit in October, travelling to Romania to hold the Board meeting and undertake various customer-related activities.

Such activity enables the Board to interact with customers, listen to their feedback and then develop a deeper understanding of their needs which then guides both operational and Board decision-making. This is particularly helpful in aiding the design of simple affordable and personal financial products for our customers.

Key matters debated and or agreed by the Board include:

- Approved the launch of new products, for example the Group's new credit card proposition developed to meet the future needs of consumers in Poland under the new, tighter rate cap introduced in this market in December 2022.
- Established retail partnership pilot test activity with the aim of creating more points for customers to access credit in Romania and Mexico.
- Introduced an education package for customers in Poland as part of the expansion of our value-added services offering.

Further detail is included on pages 18 and 19.

2. Considering employees and customer representatives in Board decision-making

The Board recognises that the engagement of our people underpins the successful delivery of the Company's strategy. Members of the Board have direct engagement with employees and customer representatives when visiting our markets, including Board presentations, dinners and ad hoc interactions. These allow the Board to meet a broad spectrum of employees from different areas of the business including Legal, Compliance, Data Protection, Customer Services, Corporate Affairs, HR, Finance, Health and Safety.

The Board fully supports management's commitment to creating a culture that develops and rewards talent and enables colleagues to achieve their full potential. The Board also recognises the importance of monitoring and supporting the well-being of individuals and supports the people strategy which focuses on colleague engagement. The Board receives bi-annual updates from the Chief People Officer on performance, development potential and succession planning as well as regular reports from the CEO and business heads on general people-related matters throughout the year.

Key matters debated and agreed by the Board include:

- Approved the introduction of an enhanced employee value proposition and enhanced employee experience and the launch of a careers portal to attract and retain good talent and ensure a high-quality experience when applying to join our Group.
- Approved the deployment of learning activities with structured development pathways for all our customer representatives.
- Appointed a new Workforce Engagement Director, in an updated role, and approved a new approach and programme of activity for 2023.
- Oversaw the evolution of the Care Programme developed during the pandemic, to cover menopause and psychosocial risk.
- Approved the introduction of safer systems of work, introduced post-pandemic, as part of the Group's bi-annual health and safety update.

3. Considering investors in Board decision-making

The CEO and CFO take the lead, on behalf of the Board, in engaging with our investors in presenting the Company's results, progress against strategy and other matters. Investor feedback is also sought formally twice a year, and both the Chair and the Senior Independent Director (SID) are available to answer shareholder questions at the AGM. In 2022, the Chair and SID also resumed hosting our annual lunch for top shareholders.

Key matters debated and agreed by the Board include:

- The Board received updates throughout the year following CEO and CFO meetings with major shareholders and other advisory groups to pro-actively engage with investors and articulate the Group's investment case.
- The Board discussed options for additional debt funding and approved the refinancing of the sterling retail bond in November 2022.
- The Board endorsed its previous approval of a progressive dividend policy for 2023 and future years.
- The Board engaged with shareholders in response to the 22.3% advisory vote against the 2021 Remuneration Report, issuing a formal statement to the market in August 2022. Further consultations have been undertaken as part of the development of the 2023 Remuneration Policy, including the introduction of a Restricted Stock Plan, in place of the current LTIP. See pages 96 and 97 for further information.

4. Considering our communities in Board decision-making

The Board understands the importance of nurturing links and building relationships with our communities in which the business operates to deliver the long-term sustainability of the Group. The Board supports the wide range of community engagement activities, which take place at a local level, and also participates themselves where it is possible. For example, as part of the Group's community investment programme, members of the Board joined 1,700 colleagues at the Global Togetherness Day, a virtual event which celebrated their efforts being made to help people impacted by the war in Ukraine, Other directors including the Chair, the CEO and CFO visited the Women's House in Poland, which has been set up to help refugees fleeing the war in Ukraine.

Key matters debated and agreed by the Board include:

- An update was provided following a meeting with regulators to highlight our global community programme, 'Invisibles', and the provision of credit to marginalised members of society.

5. Considering regulators and legislators in Board decision-making

The Board receives regular updates on legal and regulatory developments across all of the markets in which the business operates. These are provided mainly by the Chief Legal Officer and the Group Corporate Affairs Director. The Board supports the proactive regulatory engagement strategy, which is led primarily through our corporate affairs teams in each of our markets, in order to deliver sustainable outcomes that are positive for customers and businesses alike.

Key matters debated and agreed by the Board include:

- Following the direct observation of Board members and feedback received indirectly, the Board considered and approved the extension of the Group's global community initiative, Invisibles. See page 46 for more information.
- During the year, the Board received updates in relation to the Polish government's proposals to introduce a non-interest total cost of credit cap, which became effective in December 2022 and approved the strategies to mitigate the impacts of the new legislation on the business.

6. Considering our suppliers in Board decision-making

The Board recognises the importance of partnering with suppliers that share our ethical values and sustainable approach to business. The Board fully supports management in its implementation of the operational policies and procedures in place that help to govern and guide these relationships. Our engagement with our suppliers is undertaken via our market operations and purchasing teams.

Key matters debated and agreed by the Board include:

- Approval of key contracts in line with the delegation of authority and matters reserved to the Board, for example the renewal of funding facilities and counter-party limits.
- Approval of a new Supplier Relationship Manager policy, which requires compliance with legislation relating to human rights, health and safety of workers, equal rights and employment law.
- The Board supported the recent implementation of a new responsible procurement policy which sets out minimum standards to be implemented by all markets into local polices and processes.

"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."

The Board and oversight of ESG

The Board recognises the importance of environmental, social and governance matters not only in relation to their significance in the execution of the Group's strategy but also due to the high degree of interest with which they are viewed by investors and other stakeholders. A key priority for 2022 for the Board was therefore to oversee the development of the Group's ESG strategy.

For environmental matters, a key highlight has been the strong Board oversight on the decisions taken to address climate-related risks and opportunities with the objective of achieving compliance with TCFD recommendations to the extent possible. Significant progress was made on embedding climate change within the Enterprise Risk Management Framework and refining the definition of the risks and opportunities associated with climate change. Work has also commenced on the process to develop controls and key risk indicators and to design a climate change approach for activity-focused work streams in 2023 and beyond. This work will be overseen by the Environmental Oversight Group which was established in 2022, and reports upwards to the Risk Advisory Group, which then advises the Audit and Risk Committee.

A range of priorities have been agreed for 2023 under the four TCFD pillars of "governance", "strategy", "risk management" and "metrics and targets". These include ensuring that climate considerations are incorporated into all key decisions taken by the Board and assisting with this, seeking to quantify the financial implications of key climate related risks and opportunities. We will also update our financial modelling and create plans for activities aimed at taking advantage of opportunities identified. Finally, we will look to make progress on designing appropriate metrics and targets relevant to our business and in line with market practice. Further details on our work on TCFD is on pages 49 to 56.

The Board will be updated at regular intervals on progress against these priorities and activities alongside the programme of education on climate change which will be established for the Board, and for employees and customer representatives.

For social matters, our business with its strong social purpose has a long history of building financial inclusion and also makes a strong social contribution to the wider economy. During 2022, we strengthened our ESG strategy to ensure we deliver on our purpose in a responsible and transparent way and the Board recognises 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. Further details on our social role and purpose are on pages 8 and 42 to 43.

From a governance perspective ESG issues are discussed regularly by the Board, including during Board strategy sessions, 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. Our 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. Further details on how the business acts responsibly from a governance perspective through its policies and engagement with stakeholders are on pages 47-48 and 75-76.

Board and Committee effectiveness review

In accordance with the 2018 UK Corporate Governance Code, and as part of a three year cycle, the 2022 Board and Committee evaluation was facilitated externally by Independent Audit Limited using their online governance platform, Thinking Board®. This followed two years of internally-led assessments. Independent Audit, which is a global leader in board effectiveness reviews has no connection to IPF or with any of the directors, The primary purpose of the review was to direct the Board's attention to areas where there might be opportunities to improve its performance and effectiveness.

Following consultation with the Chairs of the Board and its Committees, and the Company Secretary, a questionnaire was prepared by Independent Audit. The views of each board director, members of the management team and the Company Secretary were sought in response to a range of questions grouped into the following themes: Strategy, Risk and Finance; People, Culture and Stakeholders; Board Composition Mix; Information and Development; and Meetings, Dynamics and Committee. The directors did not fill in the questionnaire for Committees which they did not routinely attend, however, they were asked to respond to a series of free-form questions. The external evaluation did not extend to conducting interviews, although Independent Audit's assessment also relied on observation of the December Board meeting and a review of the December meeting papers. The Senior Independent Director, Richard Holmes, also led a separate evaluation of the Chair, Stuart Sinclair, with the directors asked to appraise his performance.

The responses were assessed and evaluated by Independent Audit and the comprehensive report of its findings was presented to the Board in January 2023. The vast majority of questions indicated that most areas considered were working well. However, with such positive responses Independent Audit, suggested that, in the spirit of continuous improvement, the Board should ensure that they keep challenging themselves on how well things are working.

Notably there were several key strengths highlighted in relation to Composition, Chairing, Committees and Dynamics. It was felt that the right people were around the table and the Board operated in an environment of trust, openness and inclusiveness. There was also unanimous agreement that the Chair leads the Board well and everyone was given the opportunity to offer their views, and that Committees were all felt to function well.

The table below sets out the actions which were agreed at the beginning of 2022 and progress against these and the key findings and actions from the recent external effectiveness review. The findings and agreed actions in relation to the Board Committees can be found in the respective Committee Reports.

The Board discussed the points raised by the assessment and the recommendations on follow up actions.

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 review concluded that the performance of the Board, its Committees, the Chair, and each of the directors continues to be effective.

All directors demonstrated commitment to their roles and boardroom culture was deemed to be effective and conducive for creating a positive environment for participation and challenge by the non-executive directors.

The Board also considered its performance during the year and was satisfied that the directors had worked well together, and that the Board had discharged its duties and worked effectively with its Committees. The composition of the Board in terms of its diversity, knowledge and skills base was evaluated and it was a balanced and diverse 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.

Actions agreed for 2022	Progress in 2022	Key findings / Actions for 2023
Board composition and succession planning To successfully on-board the new CFO. To continue to review succession plans for key roles in the Group and across the business, including continued interactions with the senior leadership team to assess internal talent pool.	Appointment and on-boarding of a new CFO completed successfully in April 2022. Succession planning is a main Board agenda item for full discussion annually and an update bi-annually. This covers both Board and senior leadership roles. The Nominations and Governance Committee supports the Board with this process.	New CIO to present regular updates to the Board to provide clarity on the Group's technology strategy and to consider the resource and capability required. Understand the risks and opportunities relating to technology projects. Review the information the Board receives in order to monitor ESG performance and how it is incorporated into strategic discussions. Spend more time considering the wider stakeholder base, including communities, regulators and politicians. Seeking stakeholder views to inform Board decision-making. Gain greater understanding around IT and cyber risks through regular deep-dive discussions. A dedicated training session on cyber risk will be arranged during the year.
Strategy 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.	Board dinners are routinely arranged around both regular Board and annual and mid-year strategy meetings, which allows for extended discussion of key strategic matters. The Board received quarterly updates on purpose, which raised its awareness of the role in which the business' social purpose plays in society.	
Stakeholder engagement 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.	The Board met regularly with key stakeholders and considered the impact of decision-making on each stakeholder group, where relevant. Further details can be found on pages 75 and 76.	
Training To 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.	Received training on e-money, Small Payment and Payment Institution licences and an update on the Consumer Credit Directive. Tailored training was arranged for the non-executive directors and new directors, as appropriate.	

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 2022 with one exception. For Code Provisions 40 and 41 (engagement with shareholders and the workforce specifically in relation to remuneration). The Company complies with the requirement in relation to shareholders but has not undertaken this activity with employees in 2022. It is envisaged that this will be actioned in 2023 and reported on in our 2023 Annual Report.

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 2 to 5 and 8.

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 65 and 74.

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 58 to 62.

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 75 and 76.

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 44 to 46 and 48.

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 pages 77 and 78.

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 80.

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 80.

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 77 to 78 and 80.

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 86 and 87.

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 66 to 69.

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 pages 77 and 78.

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 92 to 94.

The board should present a fair, balanced and understandable assessment of the company's position and prospects. See page 94.

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 58 to 62 and 94.

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 pages 99 to 106 and 109.

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 99 to 106.

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. See pages 99 to 106.

Other legal and regulatory disclosures

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.

In accordance with LR 9.8.4R, the employment benefit trust waives its entitlement to received entitlements (see page 83).

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 35 to 36).

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.

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 Nominations and Governance Committee recommended to the Board that all directors stand for re-election at the Company's 2023 AGM. It is also recommended that Katrina Cliffe and Aileen Wallace stand 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 directors currently do not hold any external directorships. A non-executive director should not hold more than four other material non-executive directorships. If they hold an executive role in a FTSE 350 company, they should not hold more than two other material non-executive directorships.

In line with the Code, non-executive directors are required to seek Board approval prior to taking on any additional appointments. In February 2023, the Board, on the recommendation of the Nominations and Governance Committee, approved Katrina Cliffe's appointment as a non-executive director of DCC plc, which will take effect from 1 May 2023. In making this decision the Board had been assured that Katrina would continue to be able to devote the appropriate time to her role as a non-executive director and the new role would not give rise to any conflict of interests. The external commitments of the Chair and the other non-executive directors have also been reviewed and the Board is satisfied that these do not conflict with their required commitment to the Company.

The independent non-executive directors are appointed for an initial period of three years, subject to annual re-election by shareholders at the AGM. The initial period may be extended, following recommendation by the Nominations and Governance 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 2022 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 training needs are reviewed annually as part of the Board evaluation process. Training also covers generic and specific business topics and in 2022 included presentations to the Board on e-money, Small Payments and Payment Institution licences and the Consumer Credit Directive. The Board was able to resume its usual annual market visit, with the October Board meeting held in Bucharest, Romania. The Chair also visited Mexico in April and Poland in August, and Richard Holmes visited both Hungary and Romania in October. Both the Chair and Richard Holmes were able to participate in a number of direct engagements with colleagues in these markets. Further detail on Board training can be found on page 65.

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. In November 2022, Laura Dobson stepped down as Company Secretary and was replaced by Thomas Crane, who had joined the Company as Chief Legal Officer in August 2022,

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

Towards the end of 2022, an externally facilitated evaluation of the performance of the Board and its Committees was carried out. Directors, senior management and the Company Secretary completed a questionnaire, the results of which were collated, reviewed and presented for discussion at the January 2023 Board meeting. Details of the principal outcomes relating to the Board evaluation can be found on pages 77 and 78.

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 27 April 2023. Details of the directors can be found on pages 66 and 67.

Shares in issue

As at 31 December 2022, the issued share capital was 234,244,437 ordinary shares of 10 pence each, of which 11,495,274 were held in treasury. 11,495,274 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 2022, 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
abrdn (Standard Life)/Standard Life Aberdeen plc	08/03/2022	11.84
Marathon Asset Management LLP	23/08/2021	8.41
Schroder Investment Mgt/Schroders plc	08/09/2022	7.36
Pendal Group Limited	27/02/2022	6.20
FMR LLC	10/01/2018	5.28
Artemis Investment Management LLP	12/10/2021	5.04
Old Mutual Asset Managers (UK) LTD	12/04/2010	4.88
Blackrock, Inc.	16/07/2009	4.54
BNP Paribas Investment Partners	08/07/2015	3.02
Mr Hendrik Marius van Heyst	09/11/2020	3.02
Oppenheimer Funds Inc/Baring Asset Management Limited	20/06/2009	2.02

There have been no further notifications since the year-end.

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 2022 AGM, we received shareholder authority to buy back up to 22,210,093 of the Company's shares until the earlier of the conclusion of the 2023 AGM or 30 June 2023. Shares purchased can be cancelled or held in treasury.
This authority was not exercised in 2022. A further authority to purchase our own shares will be sought at the 2023 AGM. As reported in the 2021 Annual Report and Financial Statements the process to de-list from the Warsaw Stock Exchange (WSE) was completed and effective from 22 February 2022.

Authority to issue shares

At the 2022 AGM, an ordinary resolution was passed authorising the directors to issue new shares up to an aggregate nominal amount of £7,403,364, 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 £7,403,364 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 2023 AGM. Further details can be found in the separate notice of meeting.

Directors

Details of the current directors can be found on pages 66 to 67. Bronwyn Syiek and John Mangelaars, who were both non-executive directors, stepped down from the Board during the year and will not be seeking re-election at the 2023 AGM. Katrina Cliffe and Aileen Wallace were appointed non-executive directors of the Board in July and December respectively and will be seeking election by the shareholders for the first time at the 2023 AGM.

Indemnities

Our Articles permit us to indemnify our directors (or those of any associated company) in accordance with the Act. However, no qualifying indemnity provisions were in force in 2022 or at any time up to 1 March 2023. 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 2022 and up to 1 March 2023.

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: €341.2m with a 2025 maturity and a 9.75% coupon; £40.5m with a 2023 maturity and a 7.75% coupon; £40.2m with a 2027 maturity and a 12.00% coupon; and SEK450m Swedish krona bond with a 2024 maturity 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 6.5 pence per share has been proposed bringing the full year dividend to 9.2 pence per share. Subject to approval by shareholders at the AGM, the final dividend will be payable on 5 May 2023 to shareholders on the register of members on 6 April 2023. The deadline to elect for the Dividend Reinvestment Plan (DRIP) is 11 April 2023.

Employees

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 2022, the trustees held 159,038 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 2022 are set out in the Directors' Remuneration Report on page 114.

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.

External oversight

The Group's activities in Mexico are subject to general trade licences and under the supervision of the Consumer Protection Agency.

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.

IPF Digital

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

Estonia – e-money licence and creditor licence 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 Loan Institutions maintained by the KNF, and supervised in relation to loans by the KNF from 1 January 2024; registered in the register of payment institutions kept and supervised by the KNF.

Spain - is subject to general trade licences only.

Political donations

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

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 inter-company transactions, the consolidated result is reviewed by the Group Financial Controller and the CFO. 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 finance 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 CFO. 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 CFO. For further details on our risk and internal control processes, see pages 58 to 62.

Research and Development activities

In accordance with The Accounts Regulations (Sch 7, para 7(1)(c)) and DTR 4.1.11 the Company undertakes certain research and development activities, however, its current practice is not to collate specific data on this activity.

Nominations and Governance Committee Report

Stuart Sinclair
Chair of the Nominations and Governance Committee

"The Committee has led the process to refresh the Board's composition ensuring it comprises the right level of experience and expertise to deliver on the Group's strategy."

Committee members

Stuart Sinclair, Chair

Deborah Davis, Independent non-executive director

Richard Holmes, 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 2022.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Stuart Sinclair	6	6	100%
Deborah Davis	6	6	100%
Richard Holmes	6	6	100%
John Mangelaars[2]	6	4	67%
Gerard Ryan	6	6	100%
Aileen Wallace[3]	–	–	–

Notes

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. John Mangelaars was unable to attend the July and December meetings due to unforeseen circumstances and stepped down from the Board in December 2022.
3. Aileen Wallace was appointed a member of the Committee on her appointment to the Board in December 2022.

Dear shareholder,

On behalf of the Committee, I am delighted to introduce its report for the year ended 31 December 2022, covering its role and responsibilities, a review of its activities during the year and progress made against the objectives set at the start of 2022.

Role of the Committee

The Committee is responsible for reviewing the composition of the Board and leading the process on proposed appointments to the Board and senior leadership. Following this, the Committee makes recommendations to the Board ensuring that both appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic background, and cognitive and personal strengths. The Committee is also responsible for ensuring that the Board and its Committees consist of directors with the appropriate balance of skills, experience, diversity, independence and knowledge to enable it to discharge its duties and responsibilities effectively. Finally, the Committee will keep the Board's governance arrangements under review and make appropriate recommendations to the Board to ensure that its arrangements are consistent with relevant corporate governance standards and best practice.

Committee composition and Board changes

The composition of the Committee's membership remained unchanged during the year, until Aileen Wallace's nomination as a member in place of John Mangelaars, was approved by the Board in December 2022.

The Board welcomed Chief Financial Officer, Gary Thompson, who joined the Board in April 2022, following the departure of CEO, Justin Lockwood in July 2021. Bronwyn Syiek and John Mangelaars stepped down in July and December respectively and, following a rigorous selection process were replaced by Katrina Cliffe and Aileen Wallace also in July and December, respectively. I would like to reiterate my thanks to both Bronwyn and John for their significant contributions during their tenure.

Activities in 2022

The Committee met six times during the year and a range of matters were considered with composition of the Board and succession planning regular topics for discussion. In the second half of the year particular focus was on recruitment to fill the two Board positions vacated by Bronwyn in July and John in December, resulting with the appointment of Katrina and Aileen, respectively. The Committee undertook its annual review of the Board Diversity policy which was updated to recognise the recommendations of the Parker Review on the ethnic diversity of Boards, with this to be considered when recruiting new Board members. The Committee considered the FCA's final policy decision on measures to improve transparency of the diversity of company boards and executive management, issued in April 2022. The policy sets out the rule changes for disclosures in relation to gender and ethnic diversity which will become effective for next year's financial statements

In September, following Katrina's appointment, the Committee recommended her appointment as the Workforce Engagement Director to meet with the requirements of the 2018 UK Corporate Governance Code, and this was subsequently confirmed by the Board. This role had been fulfilled by Bronwyn Syiek until she stepped down from the Board in July. The role's objective is to enable the Board to understand the views of the Company's workforce. Finally, I would like to highlight the governance framework review undertaken in the latter part of the year, as described in my introduction to the Governance Report. The Committee's Terms of Reference have been amended to better reflect the requirements of the 2018 UK Corporate Governance Code and current market good practice. The main changes are highlighted further below. The Committee has also been renamed to reflect its new wider remit to oversee the Board and Board Committee governance arrangements.

Recruitment and 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 the directors and members of the senior leadership team 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 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 2022, the Committee and the Board affirmed the appointment of a number of key senior management positions as the business continued to strengthen its talent pipeline. Appointments were made across all three of our business units, further adding to the diversity of backgrounds, experiences and cultures within the business. These also included several notable female appointments demonstrating our commitment to developing supporting greater gender balance in the Group. In line with our commitment to develop future leaders, the Board oversaw 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 strategy.

Board appointments and diversity

During the year, the Committee reviewed and re-approved the Board Diversity policy, a copy of which is available on our website at www.ipfin.co.uk.

Progress against 2022 key objectives

- Board composition and succession planning regularly reviewed.
- Appointment of two new independent non-executive directors.
- The re-election of the directors at the 2022 AGM.
- Reviewed he Board Diversity Policy.
- Reviewed and updated the Committee's Terms of Reference.

Key objectives for 2023

- To keep under review the Board composition and succession planning.
- To oversee the implementation of the recommendations from the external Board evaluation review.
- To keep under review the governance framework and make recommendations for improvement where appropriate.

The policy includes a set of measurable objectives as part of the approach for selecting candidates to consider for appointment to the Board, and also provides a high-level indication of the approach to diversity in senior leadership roles. 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 both gender and ethnic 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 customer base.

The membership of our Board is also diverse geographically with nationals from Australia 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 aligned closely 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 continued to support initiatives undertaken in 2022 to encourage greater gender balance for female employees across the Group and further information on the Group's approach to diversity, together with diversity statistics, are set out on page 45.

Finally, I am pleased to report that with the appointment of our third female non-executive director, we have exceeded the target of 33% female representation on the Board, as recommended by the Hampton-Alexander Review: FTSE Women Leaders.

Responsibilities of the Committee

Following the detailed governance review, the Committee's Terms of Reference were refreshed to better align with the 2018 Corporate Governance Code and best market practice. The Committee's responsibilities include:

- regularly reviewing Board composition and the balance of skills, knowledge, experience and diversity to ensure the continued ability of the Company to be successful and deliver on its purpose;
- reviewing the results of the annual Board effectiveness assessments and determining what actions should be taken to further enhance the effectiveness of the Board and its Committees;
- 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;
- ensuring the Group continues to have the necessary level of Board and senior management skills and leadership to deliver the strategy;
- providing oversight of the directors, in terms of independence, conflict of interests, external appointments and any other matters which could impact the continuance in office and recommendation to the shareholders for election or re-election;
- keeping the Board's governance arrangements under review and making recommendations to the Board, as appropriate, to ensure that relevant corporate governance standards and best practice continue to be followed; and
- reporting to the Board a summary of the matters, recommendations and actions agreed after each of its meetings.

Committee evaluation

An external Board effectiveness review was undertaken at the end of 2022 and the Committee's performance was assessed as part of this. The results of the evaluation indicated that the Committee had operated effectively throughout the year, with particular strengths highlighted relating to chairing, support and reporting (which was the case for all Board Committees). The evaluation reflected that the Committee was felt to be chaired well, that it received strong support and did a good job of reporting on what it did.

Annual re-election of directors

As in previous years, Board members will stand for election or re-election by shareholders at the 2023 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 or election, in the case of Katrina Cliffe and Aileen Wallace. Further details are contained in the Notice of Meeting circulated to shareholders.

Stuart Sinclair
1 March 2023

Appointment of new independent non-executive directors

Katrina Cliffe
Independent non-executive director and Workforce Engagement Director

Aileen Wallace
Independent non-executive director

During the second half of 2022, we were delighted to welcome two new female non-executive directors to our Board, which means that we now exceed the Hampton-Alexander target of 33% female board representation.

When considering the recruitment of new directors, the Board, supported by the Nominations and Governance Committee, adopts a formal and transparent procedure which takes into account the skills, knowledge and level of experience required for the role, as well as diversity.

Following Bronwyn Syiek's decision in June to step down from the Board, a thorough and rigorous recruitment process was initiated to find a successor and, at the request of the Board, the Chair and CEO were tasked to lead this process. Ridgeway Partners, a global advisory executive search agency and member of the 30 % Club, with a record for increasing the diversity of its clients' board composition both from a gender and an ethnicity perspective, was engaged to conduct a full market search. Ridgeway Partners has no with connection with either the Company or its directors.

The focus of the exploratory search was to identify potential candidates with financial services experience, with a particular bias towards the retail, credit card and customer service sectors. The culmination of the search process resulted in a short list of candidates being drawn up for interview, with one preferred candidate, Katrina Cliffe, being selected for recommendation to the Nominations and Governance Committee and the Board for consideration and approval. Katrina's appointment was subsequently confirmed in July 2022.

Katrina brings with her a breadth of executive experience in the retail financial services, credit cards, customer service and marketing.

In October, a second recruitment process was initiated, following John Mangelaars advising the Board of his desire to step down as a director in order to dedicate more time to his other business interests. After detailed discussion by the Nominations and Governance Committee and endorsed by the Board, it was determined that a full market search for a new non-executive director was not required given the short period of time that had elapsed since this had been undertaken as part of the process resulting in Katrina's appointment. The Committee reviewed the skills required by the Board collectively and determined that the candidate appointed to the Board should have significant experience in technology and delivering change as well as experience of sustainability matters. The Chair indicated that there was a candidate, Aileen Wallace, whom he had met as part of a recruitment process for another Board on which he was a member and recommended she be interviewed given her expertise in the areas identified as important for the role.

At the request of the Board, the Chair and the CEO led the recruitment process and following interviews with all Board members, it was agreed that Aileen's appointment should be recommended to the Nominations and Governance Committee and onward to the Board for approval. Aileen appointment was subsequently confirmed on the 20 December 2022.

Aileen's considerable breadth of experience in the technology and change sectors will be extremely beneficial to the Group as it enters its next stage of growth.

Prior to the appointments of both Katrina and Aileen, the Board noted that they both met the requirements of the 2018 UK Corporate Governance Code concerning conflicts of interest, independence and time commitments for the role, this having been considered previously in detail by the Nominations and Governance Committee.

Audit and Risk Committee Report

Richard Holmes
Chair of the Audit and Risk Committee

"On behalf of the Committee I am pleased to present its report for the year ended 31 December 2022. During the year, and throughout the continuing pandemic, the Committee continued to play an important oversight role in ensuring the integrity of the Group's financial reporting and the effectiveness of its internal control and risk management systems."

Committee members

Richard Holmes, Chair and Senior Independent non-executive director

Deborah Davis, Independent non-executive director

Katrina Cliffe, Independent non-executive director

The table below shows the number of meetings held and the directors' attendance during 2022.

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

Notes

1. The scheduled meetings that each individual was entitled to, and had the opportunity to, attend.
2. Bronwyn Syiek stepped down as a member of the Committee on 20 July 2022.
3. Katrina Cliffe was appointed as a member of the Committee effective 1 August 2022.

Dear shareholder,

On behalf of the Committee, I am pleased to present the Audit and Risk Committee's Report for the year ended 31 December 2022.

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 challenges for the business and for the Committee continued to be the impacts of the pandemic, combined with the war in Ukraine, an uncertain macroeconomic environment, the development of an ESG strategy, and regulatory challenge. The Committee closely monitored the consequent impacts on the Group's Financial Statements and despite continuing uncertainty, was pleased to see the delivery of a very good financial performance and sustainable profitability. The Committee also addressed a range of routine matters, including the management of cyber threat and information security and the continuing development of the Group's framework for internal non-financial control. The Committee's time was also dedicated to considering and then approving Deloitte LLP's plan for the 2022 external audit and the 2023 internal audit plan.

The year ahead

Although macroeconomic uncertainty is having a significant impact on the sector in which we operate, we continue to respond to the challenges and opportunities that this brings. The Committee notes the UK Government's reforms to the audit and corporate governance regime which were published on 31 May 2022 and will continue to monitor the development of this initiative including requirements in relation to assurance of non-financial information and increased disclosure requirements in respect of internal control systems. The Committee is well placed to 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. 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 58 to 62 facing the Group and their mitigation; and
- review and approve risk appetite proposals, together with the mechanisms that will be used for monitoring adherence to them.

Progress against 2022 key objectives

- Monitored the Group's management of Covid-19 generated risks for the business.
- Maintained a strong focus on the continuing development of the Group's internal control framework.
- Closely followed the execution of ESG strategic developments.
- Provided oversight to the management of consumer credit regulatory challenges.
- Received assurance on cyber security measures and operational resilience across the Group.

Key objectives for 2023

- Receive and review regular reports on regulatory developments.
- Continue to focus on the development and execution of an ESG strategy.
- Keep under close review the Group's responses to developments in the macro economy, in Ukraine, with cost-of-living concerns and with the ongoing pandemic.
- Monitor the expansion of the Group's product and channel choices.
- Continue to monitor the ongoing alignment of the Company's purpose, values, strategy and culture.
- Provide oversight to the audit tender process.

Activities in 2022

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 regarding areas of uncertainty;
- 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 accounting judgements considered by the Committee were:

- **Impairment of receivables:** the application of IFRS 9 to the ongoing issues arising from Covid-19 and the impact of the rising costs-of-living 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 historical 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 historical information. This was particularly relevant in 2022 due to the use of Covid-19 and rising costs-of -living post-model overlays arising from a full assessment of expected collection cash flows in order to calculate the expected impact of these issues 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 141. 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 2022 included judgements taken relating to accounting for the impact of the European Commission's State Aid decision (see Financial review on page 34). 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 was advised by the Chief Legal Officer in relation to any enquiry it had on this area.

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 2022 comprised the CEO, CFO, Group Credit Director and Chief Legal Officer, together with other members of the senior leadership team. The Risk Advisory Group meets four times a year. It reports to the Audit and Risk Committee and considers the risk assessments and risk registers produced in each country and updates the Group schedule of key risks. It also considers emerging risks, areas of specific risk and particular issues.

During the year, the Committee closely monitored the implementation of risk management process improvement recommendations by a third-party assurance provider in 2021.

The Committee challenged robustly the identification, assessment and planned mitigation of the principal risks facing the business, notably in the light of the Covid-19 pandemic which continued to impact the Group in the first quarter of 2022 and the cost-of-living crisis. See principal risks and uncertainties on pages 58 to 62.

Close attention continued to be paid by the Committee to the management of the threat of cyber security breach due to our employees working remotely from home during the year, in response to the ongoing Covid-19 pandemic and flexible working patterns, and to the threat of fraud, given the changed working environment.

In terms of regulatory developments, 2022 was characterised by the two key external factors that impacted the lives of our customers, the thinking of politicians and the economy in general; i.e. the ongoing Covid-19 pandemic and the war between Russia and the Ukraine. Temporary payment moratoria and price caps were introduced. In addition to temporary measures targeted directly at the financial sector, other new regulation introduced to the wider market also impacted our operations. There was new regulation tailored around special or "windfall" taxes to enable governments to tackle the impacts of the ongoing pandemic and energy crises. There were also regulatory changes related to labour regulations, typically manifesting as minimum wage increases as a reaction to inflation. Additionally, following six years of discussions, the Polish total cost of credit regulation came into force at the end of 2022. The review of the Consumer Credit Directive in the European Union is still underway with updates expected in 2023.

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 61.

The Committee will continue to assess the impact of these matters on the business and will monitor management's response throughout 2023.

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 2022 are referred to in the 'Training' section on page 94.

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, 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. 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 an ongoing programme of internal quality assurance reviews. The function has invested in several initiatives to continuously improve its effectiveness including a third-party quality assessment which reported in early 2019, and concluded positively on the effectiveness of the function. The aim is for a similar exercise to be undertaken in 2024. The team follows a continuous improvement plan and measures its operational effectiveness via a set of key performance indicators which are reported at 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 an inherent risk-based internal audit plan, assesses the adequacy of the available internal audit resources and considers 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 regulation, reputation, 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 continues to be 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.

Non-audit services carried out by Deloitte LLP in 2022	Fee £000
Other assurance services	183

The key requirements of this policy are:

- the external auditor is prohibited from providing certain services which include the following: 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 are set out in the table on the previous page.

Audit tendering and auditor rotation

The Statutory Auditors and Third Country Auditors Regulations 2016 requires public interest entities to undertake a tender exercise at least every 10 years and rotate auditors after at least 20 years. The Company last went out to tender in 2010 when Deloitte LLP was appointed as Group auditor. However in 2020, 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. This deferral period has now ended and therefore the Company is required to undertake a tender and audit rotation process for the 2023 financial year. The Company sought to run a tender process in 2022 and contacted nine firms to ascertain if they would participate in such a process. All firms contacted have indicated that they do not wish to participate in such a process, primarily due to the volume of auditing activity they are currently undertaking for other clients or because of other non-audit activity they have undertaken for the Company. The Company has notified the Financial Reporting Council and the Registrar of Companies of the position and of its intention to run another tender process in 2023 for the 2024 financial year. In addition the Company has taken steps to reduce the amount of non-audit work being provided to accounting firms who may wish to take part in such tender. In the meantime the Company's current auditor has indicated its willingness to continue acting for the Company.

Training

The Committee, with the Board, undertook a significant amount of training during 2022. 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;
- an update on e-Money Licence regulatory requirements in Estonia;
- an explanation of Small Payment and Payment Institution Licence requirements in Poland;
- an assessment of potential outcomes of planned changes to the European Union Consumer Credit Directive
- the management of credit risk;
- a deep dive into the management of foreign exchange risks embedded in the business;
- an explanation of political and regulatory frameworks and developments as a result of the European Union's review of the Consumer Credit Directive;
- a recap by the external auditor on Audit and Risk Committee responsibilities, focus areas and best practice; and
- calculation and oversight of revenue and impairment under IFRS 9 in the continuing uncertain economic environment.

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

Committee effectiveness

An externally-facilitated Board evaluation was undertaken at the end of 2022, including an assessment of the Committee's performance. The results of the evaluation indicated that the Committee had operated effectively throughout the year, with particular strengths, common to all the Committees, relating to good chairing, strong support, reporting of its activities, oversight of the independence and performance of the external auditor, as well as the effectiveness of the internal audit function. The Committee continues to be considered as providing 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, with the assistance of the Internal Audit function, the Committee has monitored the Group's internal control and risk management systems, and its processes for managing principal and emerging risks throughout 2022, and has assessed that these are effective. 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 2022 and up to 1 March 2023.

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 2022, 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
1 March 2023

Directors' Remuneration Report

Deborah Davis
Chair of the Remuneration Committee

"I am pleased to present the 2022 report on directors' remuneration following a year when our colleagues delivered strong growth and a very good financial performance for the Group. The Committee is also grateful for the feedback received from shareholders, which has been valuable in shaping our proposed 2023 Remuneration Policy."

Committee members

Deborah Davis, Chair and independent non-executive director

Richard Holmes, Senior Independent non-executive director

Stuart Sinclair, Chair of the Board

The table below shows the number of meetings held and the directors' attendance during 2022.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Deborah Davis	5	5	100%
Richard Holmes	5	5	100%
Stuart Sinclair	5	5	100%

Notes

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

Dear shareholder,

On behalf of the Board and as Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022. The report explains how the Committee carried out its duties during the year and the rationale behind the decisions that were taken. In particular, the report explains the new Directors' Remuneration Policy and the reasons behind changes to the 2020 Policy. The report is divided into two sections:

1. Our new Directors' Remuneration Policy (the 2023 Policy); and
2. The Annual Remuneration Report, providing detail of amounts paid during the reporting year, including incentive outcomes and the planned implementation of Policy in 2023.

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 66 to 67. The Committee met five times during the year, with attendance detailed in the table to the left.

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 on our website at www.ipfin.co.uk.

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. For example:

- profitable growth is recognised via the structure and operation of our annual bonus plan, which carries an 80% weighting on financial metrics;
- delivery of sustainable organisational performance and shareholder value is reflected in a progressive dividend policy, which is proposed to underpin our new Restricted Stock Plan (see pages 96 to 97 and 101); and
- our commitment to building a better world through financial inclusion will be reflected in the adoption into variable remuneration of appropriate ESG metrics in 2023, which will reflect issues of direct importance to our key stakeholders, including our shareholders.

Business context

Following the significant rebound in Company performance in 2021 after the impact of the Covid-19 pandemic, this positive trajectory was maintained in 2022 as we:

- delivered very good financial performance with all businesses contributing profitable performances amid challenging global inflationary pressure and uncertainties caused by the war in Ukraine;
- made good progress against our strategy that delivered 14% growth in customer lending, driven by strong performances from all three business divisions;
- managed customer repayment performance effectively, resulting in very good credit quality;
- continued to maintain a robust funding position and well-capitalised balance sheet;
- expanded our product offering to meet the needs of our customers; and
- proposed a 15% increase in the full-year dividend of 9.2p consistent with our new progressive dividend policy announced in February 2022.

2022 focus and progress

The Committee's principal goals for 2022 were to:

- undertake a comprehensive review of the Directors' Remuneration Policy;
- consult with our major shareholders on the 77.82% vote in favour of the 2021 Directors' Remuneration Report and with regard to the operation and evolution of Remuneration Policy; and
- continue to monitor broader market and governance trends.

Given that the shareholder vote in favour of the 2021 Directors' Remuneration Report was just below 80%, and in accordance with the requirements of the UK Corporate Governance Code, we published an update detailing the engagement that was undertaken following the vote within six months of the AGM. Although the feedback we received was positive and supportive, the Committee understands that decisions around the treatment of the outgoing CFO in July 2021and upward discretion in respect of annual bonus outcomes gave some investors cause for concern. Having considered the feedback carefully, the Committee confirmed its view that decisions taken in respect of the outgoing CFO were fair and reasonable given the specific circumstances, and that regarding annual bonus outcomes for 2021, the significant excess cash collected and its resultant impact on borrowings, impairment and receivables warranted the exercise of discretion, not least because this outcome was clearly in the best interests of shareholders.

Our commitment to maintaining an open dialogue with shareholders continued as the Committee conducted its review of the Directors' Remuneration Policy. We have been pleased with the level of engagement from shareholders and with the constructive feedback we have received. The 2023 Policy is presented in full on pages 100 to 106, with key changes and rationale summarised below.

1. The 2020 Policy required 50% of any bonus to be deferred into the Deferred Share Plan for three years. The Committee continues to believe that use of deferral is appropriate as it supports the alignment of executive director and shareholder interests, while also ensuring that there is an effective mechanism to underpin our shareholding policy. However, we believe that 50% deferral is an unnecessarily high percentage relative to market practice of similar sized companies, particularly in circumstances where the executive has met the shareholding requirement and, as a result, can act as a demotivator. Consequently, the Committee considers that the 50% deferral should be retained up to the point where the "in employment" shareholding requirement of 200% of base salary has been met, at which point a 25% deferral should apply. We believe that this will maintain a strong link with shareholder interests and will incentivise the executive to achieve the shareholding policy requirement at the earliest opportunity, through a combination of incentive awards and personal investment. We continue to encourage this practice, which has been demonstrated over many years by the CEO.
2. The Committee recognises that it would be entirely appropriate and in line with the Company's purpose to build a better world through financial inclusion, to include among the strategic/personal bonus targets one or more objectives for each executive director that is clearly aligned to environmental, social or governance matters. Therefore, within the 20% strategic/leadership element of the bonus construct we will introduce one or more targets which are aligned clearly to our purpose, and to our environmental, social and governance ambitions. These will be introduced in 2023 and disclosed retrospectively.
3. The Committee and wider Board have been concerned by the lack of lock-in provided by the Company's Performance Share Plan (PSP) over many years, and by its failure to act as an effective motivational and retention tool. In addition, the Committee believes that a better constructed long-term incentive will enable the lowering of normal and maximum opportunity, which would serve to address any shareholder concerns over total remuneration. Consequently, the 2023 Policy will introduce a Restricted Stock Plan (RSP), coupled with a 50% reduction to normal and maximum awards (from 160% and 250% to 80% and 125% respectively). The Committee believes that the adoption of an RSP offers the best solution for the Company and its shareholders. In particular:

   a. a key measure of the success of the Company's strategy is that it leads to a sustainable recovery and enhancement of the share price. The Committee believes that an RSP coupled with the existing share ownership requirement will ensure that the executive directors have, and retain, a material shareholding, ensuring full alignment with shareholders' interests;

b. the Company has routinely faced difficulties in setting three-year performance conditions for the PSP given the markets in which we operate and factors that are outside of management control influencing incentive outcomes. The Covid-19 crisis also highlighted the need for a simple yet agile approach, which the PSP has been unable to provide. The Committee believes that an RSP with the adoption of an appropriate range of underpins will enable it in future to take a more holistic approach to reviewing management performance, rather than relying solely on formulaic outcomes;

c. the introduction of a RSP would strengthen the lock-in potential of a long-term incentive, which as indicated above is currently negligible. In view of the fact that the 2020 PSP was cancelled at the request of the executive directors in order to support the Company's Covid-19 recovery plan, the Committee is well aware that the retention factor is particularly low at present; and

d. executive directors have relied for many years on the delivery of short-term annual bonus targets to generate an appropriate level of reward. While the correlation between short-term objectives and bonus payouts has been high, the Committee is well aware of the need to ensure sustainable long-term performance, and to incentivise executive directors to achieve this. Consequently, replacing the PSP with a carefully constructed and controlled RSP will support the focus of the executive on the delivery of short-term and long-term shareholder value.

4. In adopting a new approach to our long-term incentive, the Committee has also given considerable thought to the nature of the performance underpins that will be required. In particular:

a. as explained above, the difficulties of setting accurate performance conditions under the existing PSP mean that changes are clearly required;

b. the absence of appropriate comparator companies means that relative performance underpins may be misleading when taken in isolation; and

c. the potential for greater overall protection to be provided by a broad range of underpins, which would allow the Committee to review holistically the overall performance of the Company, individual executive director performance, and wider Company considerations.

Having carefully considered shareholder feedback and having conducted a thorough review of FTSE RSPs, the Committee has agreed that the central, quantifiable financial RSP underpin will be adherence to IPF's dividend policy throughout the vesting period of each annual RSP grant. The Committee believes adherence to the IPF dividend policy is a transparent indicator of both organisational performance and shareholder value, and preferable to other financial metrics, including but not limited to TSR. To ensure a robust assessment, the Committee will also consider a further basket of underpin factors at the end of the relevant three-year vesting period. For 2023 awards, these will be as follows:

- the extent to which any windfall gains have arisen as a result of any marked appreciation in share price;
- whether there have been any material sanctions or fines issued by a regulatory body (which may give rise to allocation of individual or collective responsibility);
- any material damage to the reputation of individual Group Companies, or the Group itself (which may give rise to allocation of individual or collective responsibility);
- the level of employee and customer representative engagement over the vesting period; and
- the level of customer engagement (as measured by net promoter scores, Rep Track or such other means as determined by the Committee).

5. The Committee identified a lack of appropriate detail in the Post-Cessation Shareholding Policy, which now confirms that the requirements apply to shares acquired after the adoption of the Post-Cessation Policy in April 2020.
6. Finally, in order to ensure that executive directors remain fully focused on the delivery of results even during a notice period, bonus eligibility during notice has been clarified, such that executive directors remain eligible on a pro rata basis up to their date of leaving. The Committee believes this approach will ensure the best possible outcome for shareholders and the wider stakeholder community, including the Company's employees and customer representatives. Bonus eligibility will remain subject at all times to the rules of the Annual Bonus Plan, including those relating to the treatment of leavers.

The Committee is united in a belief that the changes described above strike an appropriate balance between the need to incentivise and retain a high performing executive and to pay for performance that is wholly aligned with shareholder interests.

Shareholder context

In line with the Group's progressive dividend policy and as a consequence of the executive directors' successful execution of our growth strategy and continued growth potential, a full year dividend of 9.2 pence per share is proposed, representing a year-on-year increase of 15%.

Employee and customer representative context

The Committee continued to take into account wider workforce remuneration and related policies in making its remuneration decisions. The significant cost-of-living challenges that we see in the UK have also been felt in many of our markets, with high inflation often coupled with skills shortages. While it would be impossible and counter-productive economically to respond to a high consumer prices index with equally high salary increases, the Committee has noted the proportionate action taken to protect earnings as far as possible and retain our people, while maintaining an appropriate cost-income ratio.

The business continues to work hard to reward and recognise our employees and customer representatives, and to provide the best possible opportunities for learning and development. This has been reflected in:

- extensive work to implement our customer representative value proposition;
- the development and rollout of learning pathways for customer-facing roles;
- the rollout and extensive use of LinkedIn Learning modules for our middle and senior management; and
- the second annual Learning Festival across all markets.

The Committee has noted that the next bi-annual Global People Survey will be conducted in 2023 and will consider the outcomes of this in detail.

Remuneration decisions made in 2022

- As noted in the 2021 Directors' Remuneration Report, a 5% increase in base salary was awarded to our Chief Executive Officer, in line with the increase given to the wider UK workforce, with salary increasing to £559,650; this followed no increase in 2021 and 2020. There was no increase during the year for the incoming Chief Financial Officer, who was appointed on a base salary of £325,000.
- 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 (the explanation for which can be found on pages 96 to 99 of the 2021 Annual Report).
- 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 reflected his outstanding contribution, over and above what would normally be expected, in very difficult circumstances. In particular, the Committee noted the recovery of the business following the impact of Covid-19; the fact that he covered in a highly effective way in the absence of a Chief Financial Officer during the second half of 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.

Implementation of Remuneration Policy in 2023

The Committee has approved:

- An increase in base salary of 5% each for our Chief Executive Officer and Chief Financial Officer in line with the typical annual salary increase for the wider UK workforce and less than the planned wider workforce pay budget of 7%, with salaries increasing to £587,633 and £341,250 respectively.
- Financial year 2022 bonus awards of 98% of maximum for both the Chief Executive Officer and for the Chief Financial Officer. Despite the very significant growth in profit before tax, an increase in the full year dividend of 15% and results exceeding market consensus, the impact of events that could not reasonably be foreseen when targets were originally set meant that the threshold profit before tax would not be met for the Executive Directors or the senior leadership teams of the Group if a purely formulaic assessment was to be applied and consequently, the Committee decided to use an adjusted profit before tax figure that considered the unforeseen financial impacts. After very careful consideration, the Committee determined that an adjusted profit before tax performance of £93.9m was a fairer reflection of underlying performance and thereby the stretch target had been achieved against the profit before tax metric. Full details of bonus outcomes can be found on pages 111 to 114.
- As disclosed previously, executive directors voluntarily surrendered their 2020 PSP awards as a consequence of the impact of Covid-19, therefore there were no PSP awards to be assessed in respect of the thee year performance period ending in 2022.
- Subject to shareholder approval of the 2023 Policy, Restricted Stock Plan awards of 80% of salary each for the Chief Executive officer and Chief Financial Officer. These anticipated awards are in line with the normal level expected under the 2023 Policy and are set at half the normal level of the former LTIP.

With regard to base salary increases, the Committee considered, in particular, the impact of current cost-of-living challenges on our people across the Group and noted that increases have been tailored in each market to address these issues; this has resulted in salary increases in most markets being well above the 5% award made to each of our executive directors, and in particularly high increases to many of our lower-paid employees, who have been especially hard hit by economic circumstances. On that basis, the Committee is comfortable that the 5% awards made to our executive directors are fair and proportionate.

Remuneration priorities for the Committee in 2023

In addition to obtaining formal shareholder approval of the 2023 Policy at the 2023 AGM, the Committee will:

- ensure the effective implementation of the 2023 Policy;
- ensure the incorporation of appropriate ESG metrics into 2023 annual bonus objectives, as explained on page 95; and
- continue to monitor broader market and governance trends, paying particular attention to the ongoing cost-of-living challenges faced by our people in all markets.

As Chair of the Committee I have greatly appreciated the constructive feedback provided by shareholders throughout 2022 and am committed to maintaining this open dialogue with you. I look forward to reporting on further positive progress in 2023.

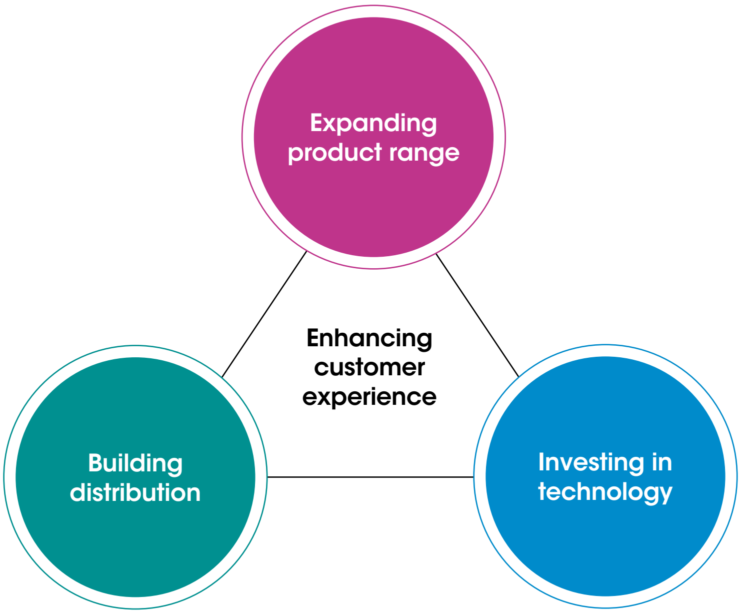
Deborah Davis
1 March 2023

Remuneration at a glance

The 2023 Policy 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 strategy over both the short and long term.

Strategy

Guided by our purpose, our strategy provides the direction to deliver excellent service to our loyal customers and build on our successful product propositions to attract the next generation. Excellent execution ensures we will continue to deliver a sustainable business with strong growth prospects and optimise value for our customers, colleagues, investors and society at large. Underpinning our strategy is a clearly defined financial model which aligns all stakeholders and is bound by a new target RORE of 15% to 20%.



Outcomes

Long-term profitable growth | RORE 15% to 20% | Strong capital generation

Total business return for all our shareholders

Pay for Performance

Remuneration outcomes

- Annual bonus aligned to in-year objectives with 80% weighting on financial metrics
- three-year deferral of up to 50% of bonus
- RSP with underpin aligned to progressive dividend policy; three-year vesting plus two-year holding period

2022 performance

Profit before tax	Earnings per share	Group net receivables
£77.4m	**25.6p**	**£869m**
+14.3%	+36%	+14%

Our remuneration outcomes	2022
Base pay award for our CEO	5%
Base pay award for our CFO	5%
Bonus as % of maximum for CEO	98%
Bonus as % of maximum for CFO	98%
Anticipated Restricted Stock Share Plan awards for CEO	80%
Anticipated Restricted Stock Share Plan awards for CFO	80%
Legacy 2020 Performance Share Plan	Cancelled

Our 2023 Remuneration Policy at a glance

Our Remuneration Policy (2022–2027)	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% to 25% 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 until shareholding requirement met; thereafter 75% cash and 25% deferred. Typically, 80% based on financial measures and 20% on personal objectives, linked to strategy.
Long-term incentive plan Vest period Two-year post-vest holding Clawback period	To motivate and reward longer-term performance and support shareholder alignment through incentivising absolute shareholder value creation.	Award normally equivalent to 80% of base salary at time of grant (maximum 125%). Three-year performance period with the extent of any vesting subject to satisfaction of an underpin as determined by the Committee. Two-year post-vesting holding period. Two-year post-cessation shareholding requirement.

Directors' Remuneration Policy 2023

The Committee presents the 2023 Policy, which will be put to shareholders for a binding vote at the AGM to be held on 27 April 2023. The 2023 Policy will apply to awards granted from its approval at the AGM onwards. It is a provision of the 2023 Policy that the Company can honour all pre-existing incentive award obligations and commitments that were entered into before the 2023 Policy takes effect. These awards remain eligible to vest subject to their original terms. In addition, where the terms of any remuneration payment (including any payments for loss of office) were agreed before the 2023 Policy came into effect or at a time when the relevant individual was not a director of the Company, these remain eligible to be paid based on their original terms.

Subject to shareholder approval, the effective date of the 2023 Policy will be 27 April 2023. The intention of the Committee is that the 2023 Policy will remain in place for three years from the date of its approval.

Policy changes table

The table below summarises the substantive changes to the 2020 Policy, which was explained in full on pages 88-96 of the 2019 Annual Report and Financial Statements, a copy of which can be found on our website at www.ipfin.co.uk.

Aspect	2020 Policy – summary	2023 Policy changes	Rationale
Annual bonus and Deferred Share Plan	50% of total annual bonus amount deferred for three years in Company shares through the Deferred Share Plan (DSP). 50% paid as cash.	50% of total annual bonus amount deferred for three years in Company shares through the DSP, until such time that the shareholding requirement (200% of base salary) has been achieved; thereafter, 25% deferral. 50% paid as cash until shareholding requirement has been met; thereafter, 75% paid in cash.	The Committee continues to believe that use of deferral is appropriate as it supports the alignment of executive and shareholder interests, while also ensuring that there is an effective mechanism to underpin our shareholding policy. However, 50% deferral is an unnecessarily high percentage relative to market practice of similar-sized companies, particularly in circumstances where the executive has met the shareholding requirement and, as a result, can act as a demotivator.

Aspect	2020 Policy – summary	2023 Policy changes	Rationale
Annual bonus – eligibility during notice	No current policy – determined by terms of the relevant service agreement.	Executive directors remain eligible to participate in, and receive pro-rata payments under the terms of the annual bonus during notice until their date of leaving.	In order to ensure that executive directors remain fully focused upon the delivery of results, even during a notice period, the 2023 Policy will clarify that bonus eligibility will apply during the full period of notice. This clarification will ensure the best possible outcome for shareholders and the wider stakeholder community.
Long-term incentive	Performance share plan. Normal grant of 160% of salary with maximum of 250%. 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.	Restricted stock plan. In normal circumstances, awards equivalent to 80% of salary at the time of grant. Annual grant of conditional awards or options. Rules will permit annual grants up to 125%. Adherence to the Company's dividend policy as the primary, quantifiable underpin; additional basket of underpins, which for 2023 will be: – the extent to which any windfall gains have arisen as a result of any marked appreciation in share price; – whether there have been any material sanctions or fines issued by a regulatory body (which may give rise to allocation of individual or collective responsibility); – any material damage to the reputation of individual Group Companies, or the Group itself (which may give rise to allocation of individual or collective responsibility; – the level of employee and customer representative engagement over the vesting period; and – the level of customer engagement (as measured by net promoter scores, Rep Track or such other means as determined by the Committee). 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.	Please refer to the Chair's detailed explanation on pages 96 to 97.
Post-cessation shareholding	1 x the shareholding requirement (200%) or the number of shares actually held at leaving, whichever is lower, for two years. Requirement applies to any shares held, including those acquired from the executive director's own funds, and any vested shares subject to a holding period.	Clarification that the Policy applies to shares acquired following the adoption of the Policy in April 2020.	Insufficient clarity in the 2020 Policy; now recognised and amended to reflect the Committee's intent.

Notes to the policy change table

Annual bonus targets will remain weighted 80% on financial and 20% on strategic/leadership metrics. Within the 20% strategic/leadership element of the bonus construct we will introduce one or more targets which are aligned clearly to our purpose to build a better world through financial inclusion, and to our environmental, social and governance ambitions.

2023 Policy – executive directors

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
Base salary To attract and retain talent capable of delivering the Group's strategy. Rewards executives for their performance in the role.	Base salary is paid in 12 equal monthly instalments during the year. Salaries are normally reviewed annually; generally, any changes are effective from 1 April. Salary levels are set considering role, experience, responsibility and performance, of both the individual and the Company, and also taking into account market conditions and the salaries for comparable roles in other companies.	Salary increases take into account salary reviews across the Group and are usually in line with increases awarded to UK employees. Additionally, due regard is given to any specific external factors or events relevant to the setting and review of executive salaries. By exception, higher awards may be made at the Committee's discretion to reflect individual circumstances. For example: – changes to role which increase scope and/or responsibility; – development and performance in the role; and – responding to competitive market pressures. There is no prescribed maximum increase.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.
Pension To provide retirement funding.	The Company operates a stakeholder scheme; at the discretion of the Committee, this may be paid as a cash allowance. The Company has closed its defined benefit scheme to new members and future accrual.	Company contribution is set at the most common rate for the wider workforce, currently 12%. Cash allowance is paid net of employer's NIC and other employment taxes.	None.
Benefits To provide market-competitive benefits that support the executive directors to undertake their role.	The Company pays the cost of providing the benefits on a monthly, annual or one-off basis. All benefits are non-pensionable.	The 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) and any other all-employee share plans on the same terms as other employees. Additional benefits may also be provided in certain circumstances, and may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Committee.	None.

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
Annual bonus To motivate and reward the generation of sustainable Group profit before tax and the achievement of specific personal objectives linked to the Company's strategy.	Measures and targets are set annually, and payout levels are determined by the Committee after the year end, based on performance against those targets. The Committee may, in exceptional circumstances, amend the bonus payout should this not, in the view of the Committee, reflect overall business performance or individual contribution. 50% of the total amount is deferred for three years in Company shares through the Deferred Share Plan (DSP) until the executive director has achieved the shareholding requirement of 200%, at which point 25% of the total is deferred on the same basis. The remaining bonus (50% or 75% depending on shareholding) is paid in cash. Payments are made around three months after the end of the financial year to which they relate. There are provisions for clawback adjustments on the occurrence of certain events. Executive directors remain eligible to participate in, and receive pro rata payment under, the terms of the annual bonus during notice, until their date of leaving.	On target bonus: 50% of maximum. Maximum opportunity: 130% of base salary.	Performance is measured over the financial year and is assessed using the following criteria: – typically 80% is based on achievement of financial measures; and – typically 20% is based on achievement of personal objectives linked to achievement of Company strategy. Although each of the annual bonus metrics could pay out independently, the Committee will set a minimum threshold profit target before any other metrics are assessed.
Deferred Share Plan (DSP) To strengthen the link between short- and longer-term incentives and the creation of sustainable long-term value.	50% of the total bonus amount is subject to compulsory deferral for three years in Company shares without any matching, until the executive director has achieved the shareholding requirement of 200%, at which point 25% of the total Is deferred on the same basis. Following the vesting of awards, executive directors receive an amount (in cash or shares) in respect of the dividends paid or payable between the date of grant and the vesting of the award on the number of shares that have vested. The DSP has provision for malus and clawback adjustments on the occurrence of certain events. Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules.	50% of the total bonus amount received (or 25% once the shareholding requirement has been achieved) during the year.	None.

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
Restricted Stock Share Plan (RSP) Awards are designed to incentivise executive directors to successfully and sustainably deliver the Company's strategy.	Annual grant of awards, made generally as conditional awards or options. Awards vest at the end of the three-year period subject to: – the executive directors' continued employment at the date of vesting; and – the satisfaction of an underpin as determined by the Committee, whereby the Committee can adjust vesting for Company or individual performance. Executive directors will be required to hold any 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. The RSP has provisions for malus and clawback adjustments on the occurrence of certain events. Awards granted under the RSP may incorporate the right to receive an amount (in cash or shares) equal to the dividends which would have been paid or payable on the shares that vest in the period up to vesting.	In normal circumstances, award levels for executive directors equivalent to 80% of base salary at the time of grant. Rules permit annual grants up to individual limit of 125%. There are no performance conditions on grant, however the Committee will consider prior year business and personal performance to determine whether the level of grant remains appropriate.	Central, quantifiable financial RSP underpin will be adherence to the Group's dividend policy throughout the three-year vesting period of each annual RSP grant. A further basket of underpin factors will be considered at the end of the relevant three-year vesting period. For 2023 awards, these will be as follows: 1. the extent to which any windfall gains have arisen as a result of any marked appreciation in share price; 2. whether there have been any material sanctions or fines issued by a regulatory body (which may give rise to allocation of individual or collective responsibility); 3. any material damage to the reputation of individual Group Companies, or the Group itself (which may give rise to allocation of individual or collective responsibility); 4. the level of employee and customer representative engagement over the vesting period; and 5. the level of customer engagement (as measured by net promoter scores, Rep Track or such other means as determined by the Committee).
Shareholding requirement Aligns executive and shareholder interests.	Executive directors expected to acquire a beneficial shareholding over time. Shares which have vested unconditionally under the Company's share plans will be taken into account with effect from the date of vesting (but not before). 50% of all share awards vesting under any of the Company's share incentive plans (net of exercise costs, income tax and social security contributions) must be retained until the shareholding requirement is met.	The shareholding requirement for executive directors is 200% of base salary.	None.
Post-cessation shareholding Aligns executive and shareholder interests.	Post-cessation shareholding policy is set at 1x the shareholding requirement (200%), or the number of shares actually held, at leaving, whichever is lower, for two years. Requirement applies to any shares held, including shares acquired from the executive director's own funds, and any vested shares subject to a holding period. The policy applies only to shares acquired after the date on which the 2020 Remuneration Policy was introduced (30 April 2020).	Not applicable.	Two-year post-cessation holding period.

2023 Policy – non-executive directors

The Chair of the Board and executive directors review non-executive directors' fees periodically in the light of fees payable in comparable companies or to reflect changes in scope of role and/or responsibility, and to attract and retain high-calibre non-executive directors. Non-executive directors receive no other benefits and take no part in any discussion or decision concerning their own fees. The Committee reviews the Chair of the Board's fees. Fees were last increased on 1 October 2013 for the Chair of the Board and 1 January 2014 for non-executive directors. No increases in fees are proposed in 2023.

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

When determining the 2023 Policy the Committee addressed the requirements of the UK Corporate Governance Code 2018, as follows:

Factor	How the Committee has responded
Clarity	Performance-based remuneration is intended to support the Company's strategy and focuses on providing a positive customer experience and generating strong returns in our European home credit businesses to reinvest in building a long-term sustainable future for these operations, growing Mexico home credit and IPF Digital, and delivering progressive returns to our shareholders. Performance measures are aligned to these goals.
Simplicity	Policy comprises fixed remuneration, annual bonus and a single LTIP only. Annual bonus and LTIP constructs are clearly and unambiguously aligned to the delivery of short- and long-term goals.
Risk	The 2023 Policy includes risk mitigation in the form of: – clear limits on maximum awards, with no payment of annual bonus for performance below the threshold target; – requiring the deferral of 50% of annual bonus in shares, for three years, until the shareholding requirement is met (25% thereafter); – aligning performance measures with Company strategy; – ensuring that the Committee can adjust payments through the exercise of discretion and the operation of malus and clawback to moderate formulaic outcomes which do not reflect the underlying performance of the Company; and – ensuring that post-vesting and post-cessation shareholding requirements apply.
Predictability	Incentive maxima are clearly stated in the 2023 Policy and there is no annual bonus payment for performance below threshold target performance. Checks and balances summarised in the Risk factor immediately above further support the predictability of outcomes.
Proportionality	The annual bonus plan is clearly structured to reward the successful delivery of strategy in-year, while the RSP underpin assessment ensures reward proportionate to delivery against the Group's dividend policy and in light of an appropriate basket of additional underpins.
Alignment with culture	The Committee considers executive director performance not only in terms of what is achieved, but also how it is achieved. As such, the Committee expects to see strong alignment between performance and the Company's core values of being responsible, respectful and straightforward. The Company's purpose is to build a better world through financial Inclusion, and the 2023 Policy and associated performance measures and oversight are intended to support this goal.

Notes to the 2023 Policy

Determination, review and implementation

The 2023 Policy has been set following an extensive review and shareholder consultation, considering both the remuneration elements and overall balance necessary to support and recognise the delivery of Group strategy. Willis Towers Watson provided independent advice to the Committee in formulating the 2023 Policy and the Committee will continue to seek independent advice on key issues including, but not limited to, ongoing implementation of the 2023 Policy.

The Committee is at pains to ensure that no conflict of interest can arise in respect of its activities. Where necessary and appropriate, input is sought from executive directors, senior leadership team members and the Group Head of Reward. Attendance at meetings is by invitation and no individual is present when matters relating to their own remuneration are being determined.

The Committee considers all relevant factors when determining Policy outcomes, including but not limited to:

- in-year and long-term performance of the Group and individuals;
- trading conditions;
- Group strategy;
- alignment with the wider workforce;
- alignment with the Company's purpose; and
- remuneration trends, shareholder feedback and corporate governance frameworks.

Performance measures and targets

The Committee selects annual bonus performance conditions that are central to the achievement of the Company's key strategic priorities for the year and reflect both financial and non-financial objectives. The Committee's consideration of long-term incentive performance and vesting takes account of the relevant underpins, which cover a range of indicators of long-term performance.

Performance targets are determined annually by the Committee and are typically set at a level that is stretching but achievable, considering our strategic priorities and the economic environment in which we operate. Targets are normally set with reference to a range of data points, including the annual business budget, historical performance and environmental, social and governance (ESG) risks.

The Board believes the performance measures and targets for the annual bonus are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them during the financial year. This is particularly so because most of our competitors are unlisted. However, the Committee commits to making a comprehensive retrospective disclosure in respect of performance against the targets set where the disclosure of that information is no longer deemed commercially sensitive.

Malus and clawback

The circumstances when malus and clawback may apply include, but are not limited to the following:

- reasonable evidence of fraud;
- reasonable evidence of gross misconduct or gross negligence by the participant;
- reasonable evidence of conduct by the participant which results in significant losses or reputational damage to the Company or the Group, or has brought, or is likely to bring, the Group or any member of the Group into disrepute in any way;
- misleading data and/or there is an error in the information, assumptions or calculations on the basis of which the award was granted or paid out or vested;
- a material misstatement of the Group's or any member of the Group's or business unit's financial statements;
- there has been a significant downward restatement of the financial results of the Company;
- there has been a significant deterioration in the financial health of the Group or any member of the Group resulting in severe financial constraints on the ability to fund awards; and/or
- any other circumstances which, in the Committee's opinion, justify the operation of malus and/or a clawback adjustment in relation to the participant's award.

The clawback period for the RSP normally runs for two years from the date of vesting and from the date of payment in the case of the cash portion of annual bonus awards. For deferred awards under the DSP, malus will apply for the duration of the deferral period.

Discretions

The Committee will operate the annual bonus plan, RSP and DSP according to their respective rules and in accordance with the Listing Rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards relating to the operation and administration of these plans. These include, but are not limited to, the following in relation to the RSP and DSP:

- the participants;
- the timing of grant of an award;
- the size of an award;
- the determination of vesting;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (for example: rights issues, corporate restructuring events and dividend equivalents); and
- the annual review of performance measures and weighting, and RSP vesting assessment from year to year.

In relation to the annual bonus plan, the Committee retains discretion over:

- the participants;
- the timing of grant of an award/payment;
- the determination of the bonus payment;
- dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen; and
- the annual review of performance measures and weighting, and targets for the annual bonus plan from year to year.

In relation to both the Company's long-term incentive and annual bonus plans, the Committee retains the ability to adjust the performance targets if events occur which cause it to determine that the targets are no longer appropriate (for example: material acquisition and/or divestment of a Group business), so long as the amendment will not make the target materially less difficult to satisfy. Any use of this discretion would be explained in the Directors' Remuneration Report and may be the subject of consultation with the Company's major shareholders.

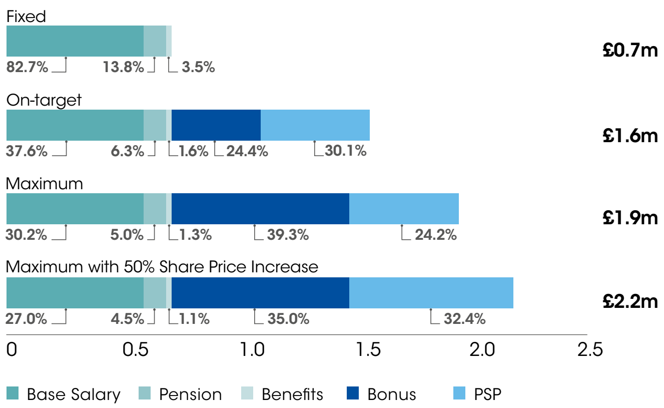
The use of discretion in relation to the Company's SAYE will be in line with the governing UK legislation, HMRC rules and the Listing Rules.

Illustrations of total remuneration opportunity

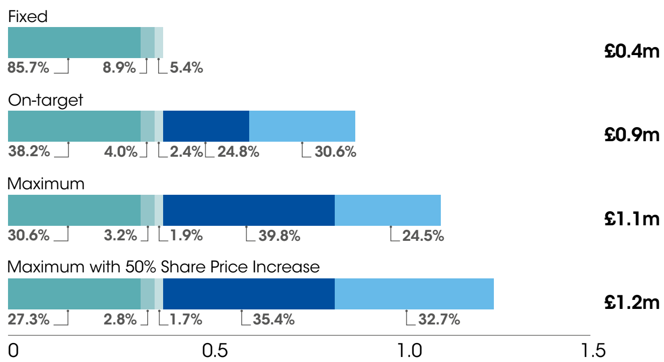
The charts below provide an illustration of the proportion of total remuneration made up by each component of the proposed 2023 Policy, together with the value of each. Benefits are calculated as per the single figure of remuneration and four scenarios have been illustrated: 'Fixed', 'On-target', 'Maximum' and 'Maximum + 50% share price growth'. The charts are indicative, as share price movement (other than as indicated) and dividend accrual have been excluded. Assumptions made for each scenario are as follows:

- Fixed: fixed remuneration only, i.e. latest known salary (2023), benefits and pension.
- On-target: fixed remuneration plus on-target annual bonus (50% of maximum) plus 80% of salary in RSP.
- Maximum: fixed remuneration plus full payout of all incentives, that is 130% of salary in annual bonus, 80% of salary in RSP.
- Maximum plus 50% share price growth: fixed remuneration plus full payout of all incentives, that is 130% of salary in annual bonus, 80% of salary in RSP. 50% assumed share price growth over three-year RSP vesting period.

Chief Executive Officer



Chief Financial Officer



Approach to recruitment remuneration

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

The maximum level and structure of ongoing variable remuneration will be in accordance with the approved remuneration policy, i.e. at an aggregate maximum of up to 130% in respect of annual bonus and, if necessary, 125% in respect of the RSP and/or cash awards at equivalent value. For the avoidance of doubt, these limits shall not apply to any replacement awards which the Committee may determine it necessary to make to secure the services of a preferred candidate.

For external appointments, it may be necessary to buy out an individual's awards from a previous employer. The Committee will seek to minimise the need for such arrangements and will aim to recruit executive directors subject to the policy maximum defined above. However, to be able to attract the required calibre of talent, we may offer additional cash and/or share-based elements when we consider these to be in the best interests of the Group.

In doing so, the Committee would ensure that any such payments have a fair value no higher than that of the awards forgone including payments for any benefits in kind, pension and other similar allowances, and reflect the delivery mechanism, i.e. cash, shares and/or options, time horizons and expected value (likelihood of meeting any existing performance criteria). Replacement share awards, if used, will be granted using existing share plans. Wherever possible, any new arrangements will be tied into the achievement of Group targets in either the annual performance bonus or long-term incentives, or both. Full details will be disclosed in the Directors' Remuneration Report following the date of recruitment, which will provide explanations in relation to the amount and delivery structure of the awards made for the purposes of recruitment.

As shares under the RSP will not normally be released for up to three years with a further two-year holding period for executive directors, some cash-based interim long-term arrangement may be provided, but the level will not be more than would otherwise have been paid. For internal appointments, any variable pay elements awarded in respect of the prior role may be allowed to pay out according to the terms of the plan, adjusted as relevant to take account of the new appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

Any new executive director will be subject to a maximum annual pension contribution from the Company in line with the most common rate for UK employees (currently 12%).

For both internal and external appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

Directors' service agreements and letters of appointment

In 2014, the Committee adopted a policy in relation to service agreements for newly appointed executive directors of six months' notice. Gerard Ryan remains an exception to this, having been appointed on a 12-month rolling contract prior to this change in policy. Gary Thompson was appointed on a six-month rolling contract.

All non-executive directors are appointed for three years, subject to re-election by shareholders. The initial three-year period may be extended. The Company can terminate the appointment on three months' notice.

Our Articles of Association require that all directors retire from office if they have not retired at either of the preceding two AGMs. At the 2023 AGM, all will be standing for election or re-election, in compliance with the UK Corporate Governance Code. Service agreements are available for inspection at the Company's registered office. Service agreements and letters of appointment are not reissued when base salaries or fees are changed.

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

Executive director	Date of service agreement	Duration of service agreement
Gerard Ryan	January 2012	No fixed term
Gary Thompson	April 2022	No fixed term
Non-executive director	**Date of appointment**	
Stuart Sinclair	March 2020	
Deborah Davis	October 2018	
Richard Holmes	March 2020	
Katrina Cliffe	August 2022	
Aileen Wallace	December 2022	

Bronwyn Syiek was appointed as a non-executive director in October 2018 and stepped down from the Board in July 2022.
John Mangelaars was appointed as a non-executive director in July 2015 and stepped down from the Board in December 2022.

Loss of office payments

Our policy is to limit severance payments on termination to pre-established contractual arrangements. If the employment of an executive director is terminated, any compensation payable will be determined having regard to the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Except in circumstances of gross misconduct or voluntary termination, the Company retains discretion to make ex-gratia payments where considered reasonable and fair in the Committee's opinion, and to cover costs relating solely to termination of employment by the Company. Example costs may include legal, tax and outplacement services subject to such fees being de minimis in nature and in the best interests of the Company.

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

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

In the event an executive director leaves for reasons of injury, disability, change of control of the Company, or any other reason which the Committee in its absolute discretion permits (including death in service), any unvested PSP and/or RSP awards will normally vest at the normal time following the end of the performance period and be pro-rated for time. Performance conditions would apply. However, awards will vest early on death and the Committee has the discretion to allow the award to vest early on cessation of employment. In this event, the Committee will determine whether the performance conditions are, or will be, met over such period as the Committee determines appropriate, although the award will normally be reduced on a pro-rata basis. RSP and legacy PSP awards that have vested at the time of leaving will be retained and exercisable for a limited period following leaving. The Committee may determine that the holding period will no longer apply if the director leaves for one of the reasons specified above. When determining the treatment of outstanding awards for exiting directors, the Committee will consider the executive director's level of performance and any contribution to a transition. For all other leavers, outstanding RSP and legacy PSP awards will lapse.

Approval for payments outside the Remuneration Policy

Remuneration payments and payments for loss of office to directors can only be made if they are consistent with the approved Remuneration Policy or if an amendment to that Policy authorising the Company to make the payment has been approved by shareholders.

Differences in remuneration policy for all employees

All employees are entitled to base salary and benefits appropriate to the market in which they are employed. The maximum opportunity available is based on the seniority and responsibility of the role. Long-term incentive awards are currently available at the absolute discretion of the Committee to executive directors, senior management, and other selected employees. The SAYE is available to all UK employees. The Committee considers wider workforce remuneration in determining executive director policy and outcomes.

Policy on executive directors holding external appointments

With the consent of the Board, executive directors may hold one non-executive directorship in an individual capacity and retain any fees earned.

Annual Directors' Remuneration Report 2022

Remuneration principles and alignment with strategy

As explained in the Chair's opening statement on page 95, 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. For example:

- profitable growth is recognised via the structure and operation of our annual bonus plan, which carries an 80% weighting on financial metrics;
- delivery of sustainable organisational performance and shareholder value is reflected in a progressive dividend policy, which is proposed to underpin our new Restricted Stock Plan (see pages 96 to 97), which has a three-year vesting period coupled with two-year post-vesting holding requirements; and
- our commitment to building a better world through financial inclusion will be reflected in the adoption into variable remuneration of appropriate ESG metrics in 2023, which will reflect issues of direct importance to our key stakeholders, including our shareholders.

Remuneration governance

The Committee met five times in 2022, with consideration given to a range of issues as illustrated below:

	Governance		Annual Bonus		Share Plan				
	Policy	DRR	Design	Performance	Grant	Performance	Salary	Wider Workforce	Shareholder
January		●							●
February		●	●	●	●	●	●	●	●
April	●								
September	●								●
December	●	●	●				●	●	●

The CEO, Chief People Officer and Group Head of Reward attended meetings by invitation, to provide advice and respond to questions. Other members of management may attend by invitation. All such attendees are excluded when any matter concerning their own remuneration and performance is under discussion.

Advisor to the Committee

Willis Towers Watson, appointed in April 2016, provides independent remuneration advice to the Committee. During 2022, total fees in respect of advice to the Committee (based on time and materials) totalled £48,071 (excluding VAT), (2021: £22,600). 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.

Single figure of total remuneration (audited information)

The following table sets out the single figure of total remuneration for directors for the financial years 2021 and 2022.

	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)	
	2022	2021	**2022**	2021	**2022**	2021	**2022[2]**	2021[3]	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Executive directors																
Gerard Ryan	**560**	533	**25**	26	**713**	681	**13**	19	**98**	94	**1,409**	1,353	**683**	653	**726**	700
Gary Thompson[4]	**242**	–	**15**	–	**309**	–	**–**	–	**18**	–	**584**	–	**275**	–	**309**	–
Non-executive directors																
Stuart Sinclair	**200**	200	**–**	–	**–**	–	**–**	–	**–**	–	**200**	200	**200**	200	**–**	–
Deborah Davis[5]	**65**	62	**–**	–	**–**	–	**–**	–	**–**	–	**65**	62	**65**	62	**–**	–
Richard Holmes[6]	**90**	79	**–**	–	**–**	–	**–**	–	**–**	–	**90**	79	**90**	79	**–**	–
John Mangelaars[7]	**65**	65	**–**	–	**–**	–	**–**	–	**–**	–	**65**	65	**65**	65	**–**	–
Katrina Cliffe[8]	**23**	–	**–**	–	**–**	–	**–**	–	**–**	–	**23**	–	**23**	–	**–**	–
Bronwyn Syiek[9]	**30**	55	**–**	–	**–**	–	**–**	–	**–**	–	**30**	55	**30**	55	**–**	–
Aileen Wallace[10]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–

1. Bonus payable in respect of the financial year including any deferral element at face value, at date of award.
2. The value of the awards included in the table for 2022 relates to the anticipated value of dividend equivalents that will be payable in 2023, relating to the 2020 DSP from grant to date of vesting.
3. The value of the awards included in the table for 2021 relates to the anticipated value of dividend equivalents relating to the DSP award in 2019.
4. Amounts shown for 2022 reflect the fact that Gary Thompson joined the Company with effect from 4 April 2022.
5. Deborah Davis was paid a fee of £10,000 in her capacity as Chair of the Remuneration Committee, in addition to her base fee of £55,000.
6. Richard Holmes was paid fees of £20,000 as Senior independent director and £15,000 as Chair of the Audit and Risk Committee, in addition to his basic fee of £55,000.
7. John Mangelaars stepped down from the Board In December 2022. In addition to receiving his base fee of £55,000, he was paid a fee of £10,000 for his additional responsibility as Chair of the Technology Committee.
8. Katrina Cliffe was appointed to the Board in August 2022 and her base fee of £55,000 was paid pro rata.
9. Bronwyn Syiek stepped down from the Board in July 2022 and her base fee of £55,000 was paid pro rata.
10. Aileen Wallace was appointed to the Board from 20 December 2022. As non-executive directors are paid in arrears, no payment was made during the financial year. Her base fee is £55,000.

Additional disclosures for the single figure of total remuneration

Base salary

The base salary of the Chief Executive Officer was increased by 5% in to £559,600 following no increase in 2021 or 2020. The Chief Financial Officer was appointed on a salary of £325,000 and no additional increase was given in 2022.

Benefits

The benefits provided to the executive directors in 2022 included: private healthcare, life assurance, annual medical, long-term disability cover, and a cash allowance in lieu of a company car.

Determination of 2022 annual bonus

The maximum bonus opportunity for the Chief Executive Officer and Chief Financial Officer was 130% of salary (pro rata to date of joining for the Chief Financial Officer), with 50% of the maximum for on-target performance. During 2022, 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 closing net receivables (CNR); and
- the remaining 20% of the plan was subject to the achievement of personal objectives.

Qualifiers for the 2022 annual bonus were:

- for any bonus to be payable, the Group must first achieve the PBT threshold figure; and
- once the Group PBT threshold is achieved, the CNR metric may pay providing the threshold for that element is 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, 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 2022 were as follows:

	Metric	Weighting in Scheme	Threshold	Target	Stretch	Achievement	Bonus Payment %
Financial[1]	Group PBT	60%	£78.3m	£83.0m	£87.2m	£77.4m	78%
	Group Closing Net Receivables	20%	£750.0m	£789.5m	£797.4m	£868.8m	26%

1. Straight line between each point

The Committee uses the annual bonus to focus on short term targets that the Board agrees each year consistent with the Group's strategy and on individual performance against personal targets. Performance is assessed over each calendar year and at the start of the following year. The Committee retains the right to exercise its judgement to adjust the formulaic bonus outcomes to ensure the final bonus outcome for executive directors reflects the broader performance of the Group and the experience of our employees and shareholders over the reported year.

In 2022 the Group delivered a very strong financial performance, with profit before tax of £77.4m, an increase in underlying profits of 117% on the prior year despite the impact of various events through the year which were not foreseeable, including the impact of the war in Ukraine on our businesses in Europe, regulatory changes in Poland and Hungary and the financial impact of a high inflationary environment on our customers and their ability to continue to meet their repayment obligations. In addition to an improvement in profit before tax, closing receivables performance was significantly in excess of target and each Executive Director performed exceptionally well against their balanced scorecard as summarised on pages 112 and 113.

Despite the very significant growth in profit before tax, an increase in the full year dividend of 15% and results exceeding market consensus, the impact of events that could not reasonably be foreseen when targets were originally set meant that the threshold profit before tax would not be met for the executive directors or the senior leadership teams of the Group if a purely formulaic assessment was to be applied. Consequently, the Committee decided to use an adjusted profit before tax figure that considered the aforementioned financial impacts. After very careful consideration, the Committee determined that an adjusted profit before tax performance of £93.9m was a fairer reflection of underlying performance and thereby the stretch target had been achieved.

Consequently, the bonus payment in respect of financial elements totalled 104%.

Key

- Criteria met
- Criteria partially met
- Criteria not met

Personal objectives

The following tables explain the objectives that were set for each executive director in 2022 and achievement against them.

Gerard Ryan – Chief Executive Officer

Category	Objective	Weighting	Results	Achievement
Purpose	– Provide visible evidence that our purpose leads to meaningful change in our business. – Ensure that purpose becomes a core part of our internal and external communications with stakeholders. – Revise internal reward schemes for senior leadership so that purpose has a consistently targeted set of objectives for all.	10%	– Purpose is explicitly embedded in our strategic initiatives. – Progress on our purpose agenda is tracked via quarterly purpose review meetings with senior leadership informed by dedicated MI deck. – Workshops were held with all market boards to communicate and educate around purpose and externally. – Our purpose-based global employer brand was launched and is now in active use for appointments at all levels, and purpose is also a foundational element of induction for our people across all our markets. – We are working towards the creation of specific, measurable KPIs which are a vital prerequisite for reward schemes to include purpose. Specific objectives related to our purpose have been included in the senior leadership team's objectives and have been assessed as part of the end-of-year personal performance criteria, which impacts individual reward.	●
Strategy	– Lead the process of creating a strategy for IPF that will help to achieve a market capitalisation for the Group that better reflects the consistent delivery by the leadership team of strong profitability, a robust balance sheet and good growth prospects.	30%	– Research and planning stages complete, with a clear view of the most appropriate time to deliver on agreed plans. – Key external trends relevant to our business identified. – Updated strategy agreed with measurable and challenging objectives for each market.	●
Climate change	– Create agreed approach to climate change, with particular focus on effectively dealing with disclosure requirements in this area.	10%	– Revised arrangements for Board and executive oversight of climate risks and opportunities put in place. – Assessment of climate risks and opportunities in line with TCFD created and endorsed by the Board. – Climate risk embedded in risk management structure and regularly reviewed. – Climate related product options considered as part of 2022 strategy process.	●
IPF in society	– Provide visible leadership and financial support for a multi-country outreach programme that benefits individuals who are disadvantaged in society.	10%	– Invisibles was embedded as the Company's flagship community programme and supports with the customer segments we serve in each market. – Four-step process introduced to: identify the Invisibles groups in each market; highlight the groups to stakeholders and the public; engage relevant stakeholders and NGOs; and help selected groups through community programmes.	●
Attract the next generation of customers	– Launch a credit card in Poland. – Expand our territorial coverage in Mexico. – Develop a hybrid solution in Mexico. – Develop a thriving partnership model.	20%	– Successful launch of the Company's first credit card in October 2022. – In Mexico, operations launched successfully in Tijuana in July 2022 and across Mexico, 660 agencies were opened during the year. – In Mexico, a hybrid approach has now enabled a reduction in time to cash from days to hours, with positive feedback from customers and customer representatives. Various other technology enhancements have further digitised the customer representative journey. – Strong partnership pipeline in place, with a successful partnership in operation in Romania. Some issues in Mexico related to product pricing have restricted progress.	●
People and structure	– Strengthen our succession pipeline following multiple internal promotions in 2021.	20%	– Good progress made towards building the talent pipeline, with most key roles having either a named successor or a pipeline plan in place.	●

Key

- Criteria met
- Criteria partially met
- Criteria not met

Gary Thompson – Chief Financial Officer (From April 2022)

Category	Objective	Weighting	Results	Achievement
Financial performance	– Deliver financial results, with a focus on delivering sustainable financial performance.	20%	– Established framework and reporting to drive improvements in revenue yield, impairment rate and cost efficiency. – Through continuous focus and performance management, all three metrics have improved in 2022. – Established increased rigour around product changes and promotional activity to ensure that any activities drive required returns.	
People and structure	– Critically assess finance systems and capability, and upgrade where necessary.	20%	– New Finance Directors appointed in IPF Digital, Poland and the Czech Republic. – Process to upgrade commercial finance talent underway. – 'Raising the bar' mentality embedded within the global finance community together with greater cross-border activity to drive better bottom-line performance. – Improved financial reporting embedded to drive core metrics to deliver shareholder returns.	
Develop a clear strategy for shareholder value creation	– Develop and embed a framework for linking business performance to the creation of shareholder value. – Enhance investor communication to attract new shareholders and ensure existing shareholders are provided with sufficient granular information to assess their investment.	20%	– Established a clear and transparent financial model to drive internal behaviour and performance, and provide clear linkage to strategy and purpose. – Development of a revised capital expenditure/ deployment framework underway to ensure that capital is only deployed when it meets minimum returns criteria. – Upgraded communication with investors to enable better understanding of the Group, including webinars, purpose communication and more granular analysis of results.	
Funding	– Ensure the Group has the necessary funding to support growth. – Evaluate the funding structure and seek out opportunities to diversify funding sources.	20%	– Successfully refinanced £169m of bank facilities in 2022. – £40m of retail bonds refinanced with a further £10m held in treasury. – Improved internal cash and balance sheet management to drive improvements in funding and liquidity of c.£20m. – Actions underway to diversify funding sources.	
Tax	– Develop the framework and strategies to ensure tax charges and tax payments are optimised.	20%	– Successful recovery of tax in Poland of £30m. – Programme established to deliver reduction in deferred tax asset over the medium term to improve funding and core equity. – Structural review of the Group's tax position in progress to optimise tax charge over the medium term.	

Having reviewed the executive directors' performance against their personal objectives and in the context of the progress made by the Group in 2022, the Committee determined that each executive director met the majority of his objectives. Consequently, the bonus payout in respect of personal objectives is 23.4% for both the Chief Executive Officer and for the Chief Financial Officer.

Bonus outcomes for 2022

For the year ending 31 December 2022, the Committee awarded bonuses to the executive directors as follows.

Name	Financial objectives – achievement as % of bonusable base salary	Personal objectives – achievement as % of bonusable base salary	Cash bonus £000	DSP – face value of shares due to vest in 2026 £000	Total value of 2022 annual bonus £000	Cash and DSP shares awarded as a % of maximum available bonus
Gerard Ryan	104%	23.4%	£356.5	£356.5	£713	98%
Gary Thompson	104%	23.4%	£154.3	£154.3	£308.6	98%

In accordance with the 2020 Policy, 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 executive 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.

Pension

The Company has two pension schemes, the International Personal Finance plc Pension Scheme ('the pension scheme'), closed to future accrual, and the International Personal Finance Workplace Pension Scheme ('the WPP'). During the year, the Company migrated employees in the International Personal Finance Stakeholder Pension Scheme to the WPP, following a review with the Company's pension provider; new employees are eligible to join the WPP.

The rate of Company pension contribution for the Chief Executive Officer to 31 December 2022 was 20% of base salary (17.6% net). In line with the commitment made in the 2019 Directors' Remuneration Report to align director pension contributions with the wider workforce by the end of 2022. The Company contribution rate for the Chief Executive Officer reduced to 12% of base salary (10.5% net) with effect from 31 December 2022. The rate of Company contribution for the Chief Financial Officer is 12%. At the discretion of the Committee, this may be paid wholly, or in part, as a cash allowance, net of employer's NI contributions.

The Company's contributions in respect of Gerard Ryan during 2022 amounted to £97,762 all of which was paid as a cash allowance. The Company's contributions in respect of Gary Thompson during 2022 amounted to £17,862, of which £11,195 was paid as a cash allowance.

Long-term incentives

Awards estimated to vest during 2023 (included in 2022 single figure)

As explained in the 2020 Annual Report and Financial Statements, executive directors were initially granted long-term incentive plan awards structured as PSP options in February 2020. However, for reasons related to the business impact of the Covid-19 pandemic, awards were subsequently cancelled at the request of the executive directors, via Deed of Surrender, and no additional awards were made that year. Consequently, no awards will vest in 2023.

Awards granted in 2022

Executive directors were granted long-term incentive plan awards structured as PSP options; the award for the Chief Executive Officer was made in March 2022 and for the incoming Chief Financial Officer the award was made in April 2022. The resulting number of PSP shares and associated performance conditions are set out below. Long-term incentive awards granted in 2023 will be in line with the 2023 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	1,178,864	1,063,335	190%	31 December 2024	25%	50%	Absolute TSR
					25%	25%	Cumulative EPS growth
					25%	25%	Net revenue growth
Gary Thompson	383,105	390,000	120%	31 December 2024	25%	50%	Absolute TSR
					25%	25%	Cumulative EPS growth
					25%	25%	Net revenue growth

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 stretch.

Performance condition	Weighting	Threshold (vesting 25%)	Maximum (Vesting 100%)
Absolute TSR performance	½	30%	60%
Cumulative EPS growth	¼	65.9 pence	80.1 pence
Net revenue growth	¼	8.3%	10.1%

DSP

In 2022, half the annual bonus award earned by the Chief Executive Officer in respect of 2021 was deferred into shares. There are no further performance conditions attached to the vesting of the deferred shares. The following table sets out details of awards of nil-cost options made in the year under the DSP:

	Date of award	**Face value[1] £**
Gerard Ryan	9 March 2022	£340,685

1. The face value was calculated using the mid-market closing price for the day preceding the date of grant, being 90.2 pence per share.

SAYE

UK-based executive directors are entitled to participate in the Company's all-employee plan. Gary Thompson participated in the IPF Save as You Earn Plan in 2022 and, as a result, was granted 24,000 options at 75 pence under the Plan on 26 August 2022.

No loss of office payments were made in 2022.

Payments to past directors

As noted on page 100 of the 2021 Annual Report and Financial Statements, Justin Lockwood was eligible for an annual bonus in respect of 2021, paid pro-rata to the date of his resignation and payable in March 2022, in cash; this totalled £220,381.

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.

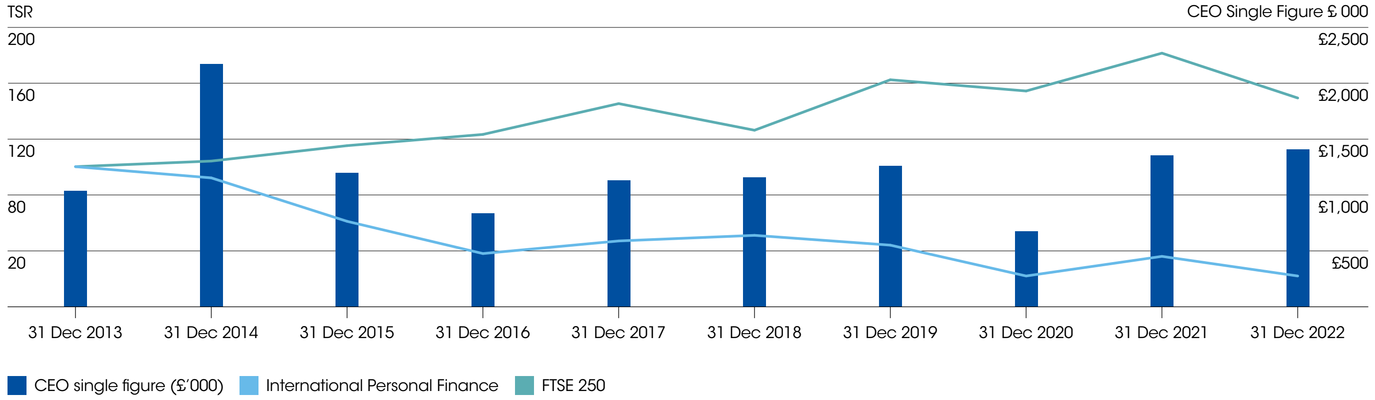
	2020 vs. 2019			2021 vs. 2020			2022 vs. 2021		
Percentage change in the relevant period	Base salary	Benefits	Bonus	Base salary	Benefits[1]	Bonus[2]	Base salary	Benefits[1]	Bonus[2]
Executive directors									
Gerard Ryan	1%	0%	(100%)	0%	0%	100%	5%	(1%)	5%
Gary Thompson	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive directors[3]									
Deborah Davis	0%	N/A	N/A	12%	N/A	N/A	5%	N/A	N/A
Richard Holmes	N/A	N/A	N/A	79%	N/A	N/A	15%	N/A	N/A
John Mangelaars	0%	N/A	N/A	0%	N/A	N/A	0%	N/A	N/A
Stuart Sinclair	N/A	N/A	N/A	42%	N/A	N/A	0%	N/A	N/A
Katrina Cliffe[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employees	1%	3%	(100%)	(2%)	(2%)	100%	15%	3%	1%

1. Non-executive directors are ineligible for any benefits.
2. Non-executive directors are ineligible for any bonus.
3. Aileen Wallace was appointed to the Board on 20 December 2022 but received no payment during the financial year.
4. Katrina Cliffe was appointed to the Board with effect from 1 August 2022.

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 2022. 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.

TSR Performance vs CEO Single Figure



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)
2022	Gerard Ryan	1,409	98.0%	–
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%	–

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	2022	2021	Percentage change
Overall expenditure on pay	**168.4**	156.9	7%[1]
Dividend paid in the year	**18.9**	4.9	286%

1. The percentage change at a constant exchange rate is 19%.

Other directorships

Neither executive director currently holds 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 2022 (together with interests held by his or her persons closely associated) are shown in the table overleaf. Stuart Sinclair, Katrina Cliffe and Aileen Wallace are currently within the three-year period to build their shareholding. However, due to the fall in the Company's share price during the year Gerard Ryan's and Deborah Davis' shareholding has also fallen below the threshold. This will be rectified as soon as is practicable. 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	1,465,288	1,989,049	497,309	20,930	–	–	200	191	Y
Gary Thompson	110,000	383,105	–	24,000	–	–	200	25	N
Non-executive directors[3]									
Katrina Cliffe	–	–	–	–	–	–	100	-	N
Deborah Davis	45,000	–	–	–	–	–	100	51	N
Richard Holmes	275,133	–	–	–	–	–	100	223	Y
Stuart Sinclair	86,944	–	–	–	–	–	100	32	N
Aileen Wallace	–	–	–	–	–	–	100	-	N

1. Based on a share price of 73 pence, being the closing price on 31 December 2022 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 1.5 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 2022 and 1 March 2023.

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 2021	Awarded in 2022	Exercised in 2022	Lapsed / Surrendered in 2022[1]	**Awards held at 31 December 2022**	Performance condition period	Market price at date of grant (p)	Exercise price (p)	Exercise period
Gerard Ryan										
PSP	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	104	–	23 Mar 2024 – 22 Mar 2031
	10 Mar 22	–	1,178,864	–	–	**1,178,864**	1 Jan 2022 – 31 Dec 2024	97	–	11 Mar 2025 – 10 Mar 2032
Deferred	08 Mar 19	128,709	–	(128,709)	–	**–**	–	191	–	–
Deferred	28 Feb 20	119,608	–	–	–	**119,608**	–	147	–	–
Deferred	10 Mar 22	–	377,701	–	–	**377,701**	–	97	–	–
SAYE	30 Aug 19	20,930	–	–	–	**20,930**	–	–	86	1 Nov 2022 – 31 May 2023
Total		**1,582,120**	**1,556,565**	**(128,709)**	**(502,688)**	**2,507,288**				

	Date of award	Awards held at 31 December 2021	Awarded in 2022	Exercised in 2022	Lapsed / Surrendered in 2022	**Awards held at 31 December 2022**	Performance condition period	Market price at date of grant (p)	Exercise price (p)	Exercise period
Gary Thompson										
PSP	05 Apr 22	–	383,105	–	–	**383,105**	1 Jan 2022 – 31 Dec 2024	106	–	11 Mar 2025 – 10 Mar 2032
SAYE	26 Aug 22	–	24,000	–	–	**24,000**	–	–	75	1 Nov 2025 – 31 May 2026
Total		**-**	**407,105**	**-**	**-**	**407,105**				

1. The March 2019 PSP lapsed in full.

The mid-market closing price of the Company's shares on 31 December 2022 was 73 pence and the range during 2022 was 64 pence to 142 pence. The aggregate gains of directors arising from the exercise of options granted under the DSP in the year totalled £124,204.

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 2020, 2021 and 2022 AGMs (% of total votes cast):

AGM		For	Against	Withheld[1]
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%
2022	Annual Remuneration Report	77.82%	22.18%	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 2023

The base salary for the Chief Executive Officer will increase by 5% to £587,633.

The base salary for the Chief Financial Officer will increase by 5% to £341,250.

Maximum bonus opportunity will be 130% of base salary (on target 50% of maximum), in line with the 2020 and proposed 2023 Policies, with performance measures weighted 80% financial and strategic and 20% personal, also in line with the 2020 and proposed 2023 Policies. Annual bonus targets are not disclosed on a forward–looking basis because they are considered by the Board to be commercially sensitive but will continue to be disclosed retrospectively to ensure transparency.

The Committee expects to make 2023 RSP awards following the 2023 AGM in accordance with the new 2023 Policy, if approved; awards will be at 80% of base salary for each executive director, in line with the proposed 2023 Policy.

The central, quantifiable financial underpin for 2023 RSP awards will be adherence to IPF's dividend policy throughout the vesting period of the RSP grant. To ensure a robust assessment, the Committee will consider a further basket of underpin factors at the end of the three-year vesting period, as follows:

1. the extent to which any windfall gains have arisen as a result of any marked appreciation in share price;
2. whether there have been any material sanctions or fines issued by a regulatory body (which may give rise to allocation of individual or collective responsibility);
3. any material damage to the reputation of individual Group Companies, or the Group itself (which may give rise to allocation of individual or collective responsibility);
4. the level of employee and customer representative engagement over the vesting period; and
5. the level of customer engagement (as measured by net promoter, Rep Track or such other means as determined by the Committee).

Approved by the Board

Deborah Davis
Chair of the Remuneration Committee

1 March 2023

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.

Statements required by the Disclosure Guidance and Transparency Rules and recommended by the UK Corporate Governance Code.

Responsibility statement under the Disclosure and Transparency Rules

Each of the persons who is a director at the date of approval of this report (and whose name and function is set out on pages 66 and 67 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 37 and 63.

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 2022 to the date of this Annual Report and Financial Statements and is satisfied that they are effective.

By order of the Board

Tom Crane
Company Secretary

1 March 2023

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 2022 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with 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 provisions 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; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation 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.

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: Similar level of risk
Materiality	The materiality that we used for the Group Financial Statements was £5.1 million which was determined on the basis of 1.3% of net assets.
Scoping	We focused our Group audit primarily on the key components based in seven locations, six of which were subject to a full audit, with the remaining subject to testing of specific balances.
Significant changes in our approach	There have been no significant change in our audit approach from the prior period.

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;
- assessing the availability and terms of the Group's financing arrangements, and evaluating 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 and economic environments 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 the principal risks and uncertainties described in the going concern disclosure;
- challenging the likelihood that reverse stress test scenario prepared by management, which resulted in the Group breaching its banking covenants, will crystalise during the going concern period through comparing the directors' assumptions with the Group's financial performance in previous periods, our understanding of the Group's business and the economic outlook in each of its significant territories; and
- evaluating the disclosures relating to going concern, included on page 37, 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, with revenue totalling £645.5m (2021: £548.7m) being recognised in 2022. 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 key audit matter 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 91 and within the key sources of estimation uncertainty note on page 141. 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 assess whether 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 repayments phasing and early redemption behaviour of the Group's loan portfolios, as well as the impact of 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 reasonable 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 repayments 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, in addition to the conflict between Russia and Ukraine during Q1 2021, has led to rises in the cost of living and potentially impacted the ability of the Group's customers to make repayments as scheduled. This, in turn, has affected management's estimates regarding future losses expected to accrue on the Group's loan portfolios, with post-model overlays totalling £20.6m (2021: £6.8m) being recognised as at 31 December 2022 to estimate the impacts that the rising costs of living will have on future customer repayments. 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 91 and within the key sources of estimation uncertainty on page 141. Please also see note 17 for further information.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls performed at a Group-level in relation to the impairment cycle. In addition, we tested the relevant controls performed in the component markets to assess whether 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 relevant IT controls over the systems in which source customer receivable data is maintained, and obtained an understanding of the key governance review controls in place. We involved credit risk specialists to evaluate whether management's impairment provisioning methodology was consistent 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 repayments performance. We also challenged the appropriateness of using historical data to predict future repayments 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 challenged the completeness and accuracy of management's post-model overlays, with reference to analysis of recent repayments performance and other identified impairment risks for each of the Group's material markets. This included working with credit specialists to evaluate the reasonableness of assumptions made over the collectability of loans affected by recent changes in the Group's external environment, and producing independent estimates using alternative data sets and professional judgment.
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 valuations applied are reasonable.

6. Our application of materiality

6.1. Materiality

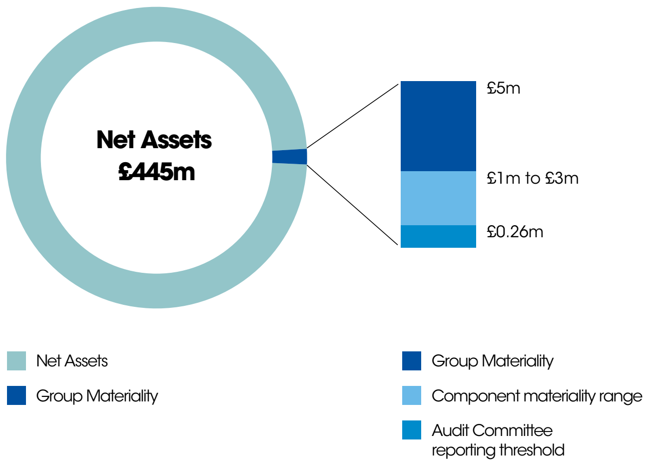
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our 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	£5.1 million (2021: £4.9 million)	£2.55 million (2021: £2.45 million)
Basis for determining materiality	1.1% of consolidated net assets (2021:1.3% of consolidated net assets).	Parent company materiality equates to 1% of net assets, which is capped at 50% of Group materiality (2021: 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 determined net assets as the most appropriate benchmark for assessing 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% (2021: 65%) of Group materiality	50% (2021: 50%) 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 changes in the Group's external environment, 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 considered the heightened level of risk arising from changes in the Group's external environment 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 £255,000 (2021: £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.

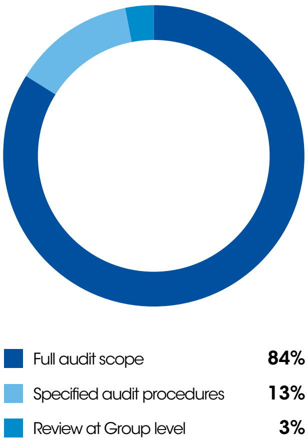
7. An overview of the scope of our audit

7.1. Identification and scoping of components

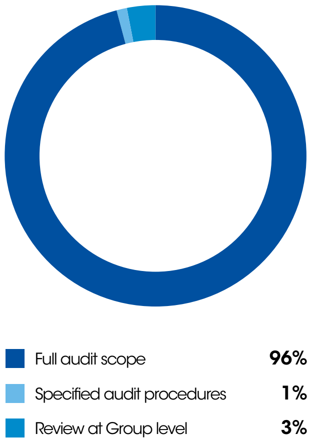
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group-level. Based on that assessment, we focused our Group audit scope primarily on the audit work at given locations, which 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 five 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 98% (2021: 99%) of the Group's net credit receivables, 97% (2021: 99%) of the Group's revenue and 97% (2021: 97%) of the Group's profit (2021: profit) before taxation.

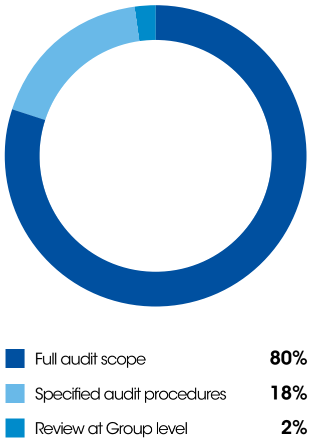
Revenue



Profit before tax



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 Our consideration of climate-related risks

When planning our audit, we considered the impact of climate change on the Group's operations and the subsequent impact on its Financial Statements. The Group sets out its assessment of the potential impacts on page 53 of the TCFD section of the Annual Report.

We held discussions with the Group to understand their process for identifying climate-related risks, including the governance controls in place over this process, as well as their impact on the Financial Statements. We also obtained an understanding of the Group's long-term strategy to respond to climate change risks as they involve, including the effect on the Group's forecasts for future periods.

Our audit work has included assessing the conclusions reached by management regarding the impact of climate-related risks on the Group's Financial Statements in the current year and reading the disclosures in the Annual Report to consider whether they are materially consistent with the Financial Statements and our knowledge obtained in the audit.

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. In the current year, we visited the component auditors in Poland and Mexico in-person. We included the component audit partners and teams 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. 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 and risk committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- 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; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT and credit risk specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and impairment of receivables, due to the potential for management to manipulate highly judgemental assumptions, and agent cash balances due to the possibility of misappropriation of assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, the London Stock Exchange Listing Rules and pensions and tax legislation applicable in the territories it operates.

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 avoid a material penalty. These included the applicable consumer credit regulations in place across the Group's significant components.

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. 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 and risk 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.

IIn 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 Group'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 37;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate, set out on page 63;
- the directors' statement on fair, balanced and understandable, set out on page 94;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 58;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, set out on page 94; and
- the section describing the work of the audit and risk committee, set out on page 91.

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

UUnder 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. Matters on which we are required to report by exception

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 12 years, covering the years ending 31 December 2011 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the audit and risk committee

Our audit opinion is consistent with the additional report to the audit and risk 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 form part of the European Single Electronic Format (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.

Matthew Bainbridge FCA (Senior statutory auditor)

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

1 March 2023

Consolidated income statement

for the year ended 31 December

Group	Notes	2022 £m	2021 £m
Revenue	1	**645.5**	548.7
Impairment	1	**(106.7)**	(56.2)
Revenue less impairment		**538.8**	492.5
Interest expense	2	**(68.1)**	(54.0)
Other operating costs		**(121.5)**	(111.4)
Administrative expenses		**(271.8)**	(259.4)
Total costs		**(461.4)**	(424.8)
Profit before taxation	1	**77.4**	67.7
Pre-exceptional tax income – UK		**0.1**	6.6
Pre-exceptional tax expense – overseas		**(31.2)**	(32.4)
Total pre-exceptional tax expense	5	**(31.1)**	(25.8)
Exceptional tax income	5, 10	**10.5**	–
Total tax expense		**(20.6)**	(25.8)
Profit after taxation attributable to equity shareholders		**56.8**	41.9

Group	Notes	2022 pence	2021 pence
Earnings per share – statutory			
Basic	6	**25.6**	18.8
Diluted	6	**24.3**	17.8

Group	Notes	2022 pence	2021 pence
Earnings per share – pre-exceptional items			
Basic	6	**20.8**	18.8
Diluted	6	**19.8**	17.8

See note 6 for further information on earnings per share.

Statements of comprehensive income

for the year ended 31 December

		Group		Company	
		2022 £m	2021 £m	2022 £m	2021 £m
Profit/(loss) after taxation attributable to equity shareholders		**56.8**	41.9	**(16.5)**	(48.2)
Other comprehensive income/(expense)					
Items that may subsequently be reclassified to income statement					
Exchange gains/(losses) on foreign currency translations		**41.8**	(37.6)	**–**	–
Net fair value (losses)/gains – cash flow hedges		**(2.3)**	1.4	**(0.1)**	–
Tax credit/(charge) on items that may be reclassified	5	**0.8**	(0.7)	**–**	–
Items that will not subsequently be reclassified to income statement					
Actuarial (losses)/gains on retirement benefit obligation	27	**(3.8)**	0.5	**(3.8)**	0.5
Tax credit on items that will not be reclassified	5	**0.9**	0.1	**0.9**	0.1
Other comprehensive income/(expense) net of taxation		**37.4**	(36.3)	**(3.0)**	0.6
Total comprehensive income/(expense) for the year attributable to equity shareholders		**94.2**	5.6	**(19.5)**	(47.6)

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

Balance sheets

as at 31 December

	Notes	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Assets					
Non-current assets					
Goodwill	11	**24.2**	22.9	**–**	–
Intangible assets	12	**27.9**	25.2	**–**	–
Investment in subsidiaries	13	**–**	–	**732.3**	731.4
Property, plant and equipment	14	**17.3**	13.8	**1.3**	1.4
Right-of-use assets	15	**19.3**	17.7	**2.6**	2.9
Amounts receivable from customers	17	**212.2**	150.2	**–**	–
Deferred tax assets	16	**138.5**	124.7	**0.5**	0.5
Non-current tax asset	10	**–**	15.3	**–**	–
Retirement benefit asset	27	**2.1**	4.9	**2.1**	4.9
		441.5	374.7	**738.8**	741.1
Current assets					
Amounts receivable from customers	17	**656.6**	566.6	**–**	–
Derivative financial instruments	23	**4.5**	0.7	**–**	–
Cash and cash equivalents	18	**50.7**	41.7	**5.0**	4.4
Other receivables	19	**16.2**	14.0	**527.6**	555.5
Current tax assets		**1.6**	1.6	**–**	–
		729.6	624.6	**532.6**	559.9
Total assets		**1,171.1**	999.3	**1,271.4**	1,301.0
Liabilities					
Current liabilities					
Borrowings	21	**(71.8)**	(3.1)	**(40.5)**	–
Derivative financial instruments	23	**(4.6)**	(7.6)	**(0.1)**	(0.1)
Trade and other payables	20	**(122.2)**	(112.8)	**(372.3)**	(383.4)
Provision for liabilities and charges	26	**(4.7)**	(5.4)	**–**	–
Lease liabilities	15	**(7.2)**	(6.4)	**(0.1)**	(0.1)
Current tax liabilities		**(18.3)**	(8.2)	**–**	–
		(228.8)	(143.5)	**(413.0)**	(383.6)
Non-current liabilities					
Deferred tax liabilities	16	**(5.9)**	(7.9)	**(0.5)**	(1.2)
Borrowings	21	**(477.0)**	(468.5)	**(373.2)**	(395.8)
Lease liabilities	15	**(14.2)**	(12.3)	**(2.6)**	(2.7)
		(497.1)	(488.7)	**(376.3)**	(399.7)
Total liabilities		**(725.9)**	(632.2)	**(789.3)**	(783.3)
Net assets		**445.2**	367.1	**482.1**	517.7
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		**9.2**	(32.6)	**–**	–
Hedging reserve		**0.1**	1.6	**(0.1)**	–
Own shares		**(43.3)**	(46.6)	**(43.3)**	(46.6)
Capital redemption reserve		**2.3**	2.3	**2.3**	2.3
Retained earnings		**476.0**	441.5	**273.5**	312.3
Total equity		**445.2**	367.1	**482.1**	517.7

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 £16.5m (2021: loss of £48.2m).

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 1 March and were signed on its behalf by:

Gerard Ryan
Chief Executive Officer

Gary Thompson
Chief Financial 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 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	7	–	–	–	–	–	–	(4.9)	(4.9)
At 31 December 2021		23.4	(22.5)	(32.6)	1.6	(46.6)	2.3	441.5	367.1
At 1 January 2022		**23.4**	**(22.5)**	**(32.6)**	**1.6**	**(46.6)**	**2.3**	**441.5**	**367.1**
Comprehensive income									
Profit after taxation for the year		**–**	**–**	**–**	**–**	**–**	**–**	**56.8**	**56.8**
Other comprehensive income/(expenses)									
Exchange gains on foreign currency translation		**–**	**–**	**41.8**	**–**	**–**	**–**	**–**	**41.8**
Net fair value losses – cash flow hedges		**–**	**–**	**–**	**(2.3)**	**–**	**–**	**–**	**(2.3)**
Actuarial loss on retirement benefit obligation	27	**–**	**–**	**–**	**–**	**–**	**–**	**(3.8)**	**(3.8)**
Tax credit on other comprehensive expense	5	**–**	**–**	**–**	**0.8**	**–**	**–**	**0.9**	**1.7**
Total other comprehensive income/(expense)		**–**	**–**	**41.8**	**(1.5)**	**–**	**–**	**(2.9)**	**37.4**
Total comprehensive income/(expense) for the year		**–**	**–**	**41.8**	**(1.5)**	**–**	**–**	**53.9**	**94.2**
Transactions with owners									
Share-based payment adjustment to reserves		**–**	**–**	**–**	**–**	**–**	**–**	**3.2**	**3.2**
Shares acquired by employee and treasury trusts		**–**	**–**	**–**	**–**	**(0.4)**	**–**	**–**	**(0.4)**
Shares granted from treasury and employee trust		**–**	**–**	**–**	**–**	**3.7**	**–**	**(3.7)**	**–**
Dividends paid to Company shareholders	7	**–**	**–**	**–**	**–**	**–**	**–**	**(18.9)**	**(18.9)**
At 31 December 2022		**23.4**	**(22.5)**	**9.2**	**0.1**	**(43.3)**	**2.3**	**476.0**	**445.2**

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 2021		23.4	226.3	–	(45.2)	2.3	367.5	574.3
Comprehensive expense								
Loss after taxation for the year		–	–	–	–	–	(48.2)	(48.2)
Other comprehensive 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
At 1 January 2022		**23.4**	**226.3**	**–**	**(46.6)**	**2.3**	**312.3**	**517.7**
Comprehensive expense								
Loss after taxation for the year		**–**	**–**	**–**	**–**	**–**	**(16.5)**	**(16.5)**
Other comprehensive (expense)/income								
Net fair value losses – cash flow hedges		**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Actuarial loss on retirement benefit obligation	27	**–**	**–**	**–**	**–**	**–**	**(3.8)**	**(3.8)**
Tax credit on other comprehensive expense	5	**–**	**–**	**–**	**–**	**–**	**0.9**	**0.9**
Total other comprehensive expense		**–**	**–**	**(0.1)**	**–**	**–**	**(2.9)**	**(3.0)**
Total comprehensive expense for the year		**–**	**–**	**(0.1)**	**–**	**–**	**(19.4)**	**(19.5)**
Transactions with owners								
Share-based payment adjustment to reserves		**–**	**–**	**–**	**–**	**–**	**3.2**	**3.2**
Shares acquired by employee and treasury trusts		**–**	**–**	**–**	**(0.4)**	**–**	**–**	**(0.4)**
Shares granted from treasury and employee trust		**–**	**–**	**–**	**3.7**	**–**	**(3.7)**	**–**
Dividends paid to Company shareholders	7	**–**	**–**	**–**	**–**	**–**	**(18.9)**	**(18.9)**
At 31 December 2022		**23.4**	**226.3**	**(0.1)**	**(43.3)**	**2.3**	**273.5**	**482.1**

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 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Cash flows from operating activities					
Cash generated from operating activities	30	**58.8**	74.3	**30.5**	6.6
Finance costs paid		**(65.2)**	(52.7)	**(71.1)**	(73.2)
Finance income received		**–**	–	**45.3**	38.4
Income tax received/(paid)		**5.5**	(46.4)	**(1.5)**	(0.9)
Net cash (used in)/generated from operating activities		**(0.9)**	(24.8)	**3.2**	(29.1)
Cash flows from investing activities					
Purchases of property, plant and equipment	14	**(9.1)**	(5.1)	**–**	(1.5)
Proceeds from sale of property, plant and equipment		**0.3**	0.2	**–**	–
Purchases of intangible assets	12	**(14.7)**	(10.3)	**–**	–
Purchase of shares in subsidiary		**–**	–	**–**	(0.2)
Net cash used in investing activities		**(23.5)**	(15.2)	**–**	(1.7)
Net cash (used in)/generated from operating and investing activities		**(24.4)**	(40.0)	**3.2**	(30.8)
Cash flows from financing activities					
Proceeds from borrowings		**99.3**	49.4	**40.2**	38.2
Repayment of borrowings		**(43.6)**	(62.9)	**(23.3)**	(59.3)
Principal elements of lease payments		**(9.2)**	(9.9)	**(0.2)**	–
Dividends paid to Company shareholders	7	**(18.9)**	(4.9)	**(18.9)**	(4.9)
Shares acquired by employee and treasury trusts		**(0.4)**	(3.9)	**(0.4)**	(3.9)
Net cash generated from/(used in) financing activities		**27.2**	(32.2)	**(2.6)**	(29.9)
Net increase/(decrease) in cash and cash equivalents		**2.8**	(72.2)	**0.6**	(60.7)
Cash and cash equivalents at beginning of year		**41.7**	116.3	**4.4**	65.1
Exchange gains/(losses) on cash and cash equivalents		**6.2**	(2.4)	**–**	–
Cash and cash equivalents at end of year	18	**50.7**	41.7	**5.0**	4.4
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand	18	**50.7**	41.7	**5.0**	4.4

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 (IPF or the Group) and the nature of the Group's operations are set out in the Strategic Report.

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 139.

The Consolidated Group and Parent Company Financial Statements 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 amendments to standards are mandatory for the first time for the financial year beginning 1 January 2022 but do not have any material impact on the Group:

- Amendments to IFRS 3 'Reference to the Conceptual Framework';
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use';
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract'; and
- 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'.

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 IAS 1 'Classification of Liabilities as Current or Non-current';
- 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 172 to 176 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 37.

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 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 lending 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 customer representative 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.

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, changes in the macroeconomic environment have not historically had a significant impact on amounts receivable from customers.

Where extreme macroeconomic scenarios are experienced, management judgement is used to identify, quantify and apply any required approach.

Probability of default (PD); loss given default (LGD) and cash flow projections based on the most recent repayments performance, including management overlays where historic performance is not deemed to be representative of future repayments performance.

See page 141 for key sources of estimation uncertainty on amounts receivable from customers in relation to post model overlays.

Other receivables

Other receivables, including amounts due from Group undertakings, are assessed annually 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 there is not expected 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 (FVTPL) 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 is typically 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

The company 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 determines 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 reflects the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Taxation continued

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the foreseeable future to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee benefits

Defined benefit pension scheme

The charge or credit in the income statement in respect of the defined benefit pension scheme comprises the actuarially assessed current service cost of working employees together with the interest charge on pension liabilities offset by the expected return on pension scheme assets. As there are no working employees that are members of the defined benefit pension scheme, there are no current service costs. All charges or credits are allocated to administrative expenses.

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

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

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

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

Defined contribution schemes

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Consolidated Financial Statements requires the Group to make estimates and judgements that affect the application of policies and reported accounts.

Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make estimations that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Revenue recognition

The estimate used in respect of revenue recognition is the methodology used to calculate the EIR. In order to determine the EIR applicable to loans an estimate must be made of the expected life of each loan and hence the cash flows relating thereto. These estimates are based on historical data and are reviewed regularly. Based on a 3% variation in the EIR (2021: 3%), it is estimated that the amounts receivable from customers would be higher/lower by £8.7m (2021: £7.7m). 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 repayments 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 the models are expected to show an increase in the expected loss or a slowing of the future cashflows in the following 12 months, an adjustment is applied to the models. At 31 December 2022, this adjustment was a reduction in receivables of £11.6m (2021: reduction of £13.6m). This adjustment is included within the other impairment line in note 17.

Post model overlays (PMOs) on amounts receivable from customers

2022	**Covid-19 PMO £m**	**Cost-of-living PMO £m**	**Hungary moratorium PMO £m**	**Total PMOs £m**
Home credit	**–**	**17.5**	**4.3**	**21.8**
IPF Digital	**–**	**3.1**	**–**	**3.1**
Group	**–**	**20.6**	**4.3**	**24.9**

2021	CV19 PMO £m	Cost-of-living PMO £m	Hungary moratorium PMO £m	Total PMOs £m
Home credit	7.8	5.3	7.8	20.9
IPF Digital	–	1.5	–	1.5
Group	7.8	6.8	7.8	22.4

Key sources of estimation uncertainty continued

High inflation rates associated with the global cost-of-living crisis may reduce customers' disposable income, which may impact their ability to make repayments. A full assessment of the impact of the cost-of-living crisis and associated reduction to the disposable income of customers has been performed and concluded that it is likely to result in increased risks across both the home credit and IPF Digital businesses. As detailed in the accounting policy for amounts receivable from customers on page 137, these increased risks are not reflected in the Group's standard impairment models due to the short-term nature of lending. PMOs have been established and based on management's current expectations the impact of these PMOs was to increase impairment provisions at 31 December 2022 by a further £20.6m (2021: £6.8m). In order to calculate this PMO, country-specific expert knowledge, informed by economic forecast data to estimate the increase in losses, has been used and resulted in a range of outcomes from £15.4m to £25.8m. This represents management's current assessment of a reasonable range in assumptions.

The Hungarian debt moratorium, which initially began in March 2020, ended in December 2022. There remains a small proportion of the portfolio that has at some point been in the moratorium. Given the age of these loans, PMOs have been applied to the impairment models in order to calculate the continued risks that are not fully reflected in the standard impairment models. Based on management's current expectations, the impact of these PMOs was to increase impairment provisions at 31 December 2022 by £4.3m (2021: £7.8m). In order to calculate the PMO, the portfolio was segmented by analysis of the most recent payment performance and, using this information, assumptions were made around expected credit losses. This represents management's current assessment of a reasonable outcome from the actual repayment performance on the debt moratorium impacted portfolio.

Polish early settlement rebates

As previously reported, a comprehensive review was conducted in 2020 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. The impact of the resolution of this matter resulted 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 £0.6m (2021: £3.3m) 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 since 2020. The charges were reviewed by reference to the claims incidence experience and average cost of resolution in the Spanish business. The provision recorded of £4.7m, split £0.6m against receivables and £4.1m in provisions, (2021: £7.1m, split £5.0m against receivables and £2.1m in provisions) represents 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, a review of the recoverable amount of the carrying value of the investment has been performed. 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.

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.

1. Segment analysis

Group	Revenue 2022 £m	Revenue 2021 £m	Impairment 2022 £m	Impairment 2021 £m	Profit before taxation 2022 £m	Profit before taxation 2021 £m
European home credit	**317.5**	284.7	**5.2**	(1.6)	**65.6**	54.5
Mexico home credit	**210.9**	146.0	**75.5**	33.8	**17.7**	18.4
IPF Digital	**117.1**	118.0	**26.0**	24.0	**8.8**	8.7
UK costs*	**–**	–	**–**	–	**(14.7)**	(13.9)
Total	**645.5**	548.7	**106.7**	56.2	**77.4**	67.7

* 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 2022 £m	Segment assets 2021 £m	Segment liabilities 2022 £m	Segment liabilities 2021 £m
European home credit	**590.3**	511.5	**(348.8)**	(305.5)
Mexico home credit	**255.6**	192.8	**(124.2)**	(86.9)
IPF Digital	**248.4**	211.6	**(123.4)**	(91.3)
UK	**76.8**	83.4	**(129.5)**	(148.5)
Total	**1,171.1**	999.3	**(725.9)**	(632.2)

Group	Expenditure on intangible assets 2022 £m	Expenditure on intangible assets 2021 £m	Amortisation 2022 £m	Amortisation 2021 £m
European home credit	**–**	–	**–**	–
Mexico home credit	**–**	–	**–**	–
IPF Digital	**5.0**	3.8	**4.0**	5.6
UK	**9.7**	6.5	**8.6**	9.1
Total	**14.7**	10.3	**12.6**	14.7

Group	Capital expenditure 2022 £m	Capital expenditure 2021 £m	Depreciation 2022 £m	Depreciation 2021 £m
European home credit	**7.0**	2.2	**4.2**	4.0
Mexico home credit	**1.8**	1.1	**1.5**	1.1
IPF Digital	**0.3**	0.3	**0.3**	0.5
UK	**–**	1.5	**0.2**	–
Total	**9.1**	5.1	**6.2**	5.6

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.

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £23.3m (2021: £25.4m), and the total of non-current assets located in other countries is £279.7m (2021: £209.3m).

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	2022 £m	2021 £m
Interest payable on borrowings	66.5	52.6
Interest payable on lease liabilities	1.6	1.4
Total finance costs	68.1	54.0

3. Profit before taxation

Profit before taxation is stated after charging:

Group	2022 £m	2021 £m
Depreciation of property, plant and equipment (note 14)	6.2	5.6
Depreciation of right-of-use assets (note 15)	8.5	8.4
(Profit)/loss on disposal of property, plant and equipment	(0.1)	0.4
Amortisation of intangible assets (note 12)	12.6	14.7
Employee costs (note 9)	168.4	156.9

4. Auditor's remuneration

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

Group	2022 £m	2021 £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	1.3	0.9
– other assurance services	0.2	0.1

Further details on auditor remuneration can be found in the Audit and Risk Committee Report on page 93.

5. Tax expense

Group	2022 £m	2021 £m
Current tax expense/(income):		
– current year	29.8	27.2
– prior year	(1.8)	(1.5)
Total current tax expense	28.0	25.7
Deferred tax expense/(income) (note 16):		
– current year	2.0	1.9
– prior year	1.1	(1.8)
Total deferred tax expense	3.1	0.1
Pre-exceptional tax expense	31.1	25.8
Exceptional tax credit (note 10)	(10.5)	–
Total tax expense	20.6	25.8

Further information regarding the deferred tax expense is shown in note 16, and primarily relates to timing differences in respect of revenue and impairment and tax losses.

The pre-exceptional taxation charge on the profit for 2022 is £31.1m representing an effective tax rate for the year of approximately 40% (2021: an effective tax rate of approximately 38%).

5. Tax expense continued

Group	2022 £m	2021 £m
Deferred tax credit/(charge) on net fair value (losses)/gains – cash flow hedges	**0.8**	(0.7)
Deferred tax credit on actuarial (losses)/gains on retirement benefit asset	**0.9**	0.1
Total tax credit/(charge) on other comprehensive income	**1.7**	(0.6)

The rate of tax expense on the profit before taxation for the year ended 31 December 2022 is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are explained as follows:

Group	2022 £m	2021 £m
Profit before taxation	**77.4**	67.7
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**14.7**	12.9
Effects of:		
– adjustment in respect of prior years	**(0.7)**	(3.4)
– adjustment in respect of foreign tax rates	**2.6**	5.7
– non-deductible bad debt expense	**10.1**	5.2
– other expenses not deductible for tax purposes	**1.6**	(1.3)
– change in unrecognised deferred tax assets	**2.9**	5.9
– impact of UK rate change on deferred tax asset / liability	**(0.1)**	0.8
Pre-exceptional tax expense	**31.1**	25.8
Exceptional tax credit (note 10)	**(10.5)**	–
Total tax expense	**20.6**	25.8

The Group is subject to tax audits in respect of the Mexican home credit business (regarding 2017) and in respect of the Polish digital business (regarding 2019).

6. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders of £56.8m (2021: £41.9m) by the weighted average number of shares in issue during the period of 222.2m (2021: 223.2m) 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 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	2022 £m	2021 £m
Used in basic EPS calculation	**222.2**	223.2
Dilutive effect of awards	**11.8**	12.1
Used in diluted EPS calculation	**234.0**	235.3

Basic and diluted EPS are presented below:

Group	2022 pence	2021 pence
Basic EPS	**25.6**	18.8
Dilutive effect of awards	**(1.3)**	(1.0)
Diluted EPS	**24.3**	17.8

Basic and diluted pre-exceptional EPS are presented below:

Group	2022 pence	2021 pence
Basic EPS	**25.6**	18.8
Exceptional item	**(4.8)**	-
Basic pre-exceptional EPS	**20.8**	18.8
Dilutive effect of awards	**(1.0)**	(1.0)
Diluted pre-exceptional EPS	**19.8**	17.8

7. Dividends

Group and Company	2022 £m	2021 £m
Interim dividend of 2.7 pence per share (2021: interim dividend of 2.2 pence per share)	**6.0**	4.9
Final 2021 dividend of 5.8 pence per share (2021 : final 2020 dividend of nil pence per share)	**12.9**	–
	18.9	4.9

Based on the leadership's successful execution of our growth strategy, the Board is pleased to declare a final dividend of 6.5 pence per share, bringing the full-year dividend to 9.2 pence per share (2021: full-year dividend 8.0 pence per share). Subject to shareholder approval, the final dividend will be paid on 5 May 2023 to shareholders on the register at the close of business on 11 April 2023. The shares will be marked ex-dividend on 6 April 2023.

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.

	2022 £m	2021 £m
Short-term employee benefits	**3.7**	3.8
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.5**	0.1
Total	**4.3**	4.0

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 117.

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	2022 Number	2021 Number
Full-time*	**6,130**	5,842
Part-time**	**1,302**	1,465
	7,432	7,307

* Includes 1,088 customer representatives in Hungary and Romania (2021: includes 770 customer representatives in Hungary and Romania).

** Includes 1,154 customer representatives in Hungary and Romania (2021: includes 1,285 customer representatives 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	2022 Number	2021 Number
Operations	**4,492**	4,330
Administration	**395**	441
Head office and loss prevention	**2,545**	2,536
	7,432	7,307

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

Group	2022 £m	2021 £m
Gross wages and salaries	**145.5**	137.4
Social security costs	**20.0**	19.1
Pension charge – defined contribution schemes (note 27)	**0.8**	0.7
Pension credit – defined benefit schemes (note 27)	**(0.1)**	(0.1)
Share-based payment charge (note 28)	**2.2**	(0.2)
Total	**168.4**	156.9

10. Exceptional tax items

The 2022 income statement includes a net exceptional tax gain of £10.5m (2021: £nil) which comprises the following items:

Group	2022 £m
Benefit of Polish Supreme Administrative Court Decision	30.9
Decision of the General Court of the EU on State Aid	(15.3)
Temporary Hungarian extra profit special tax	(5.1)
Exceptional tax items	**10.5**

Further information relating to the exceptional tax items is shown on page 34.

11. Goodwill

Group	2022 £m	2021 £m
Net book value		
At 1 January	22.9	24.4
Exchange adjustments	1.3	(1.5)
At 31 December	**24.2**	22.9

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, based on the expected cash flows resulting from the legacy MCB business' outstanding customer receivables and taking into account the collect out of the Finnish business. The key assumptions applied in the value in use calculation relate to the discount rates and the cash flow forecasts used. The rate used to discount the forecast cash flows is 12% (2021: 10%) and would need to increase to 14% for the goodwill balance to be impaired; the cash flow forecasts arise over a 4 year period and would need to be 17% lower than currently estimated for the goodwill balance to be impaired.

12. Intangible assets

Group	2022 £m	2021 £m
Net book value		
At 1 January	25.2	30.2
Additions	14.7	10.3
Amortisation	(12.6)	(14.7)
Exchange adjustments	0.6	(0.6)
At 31 December	**27.9**	25.2
Analysed as:		
– cost	142.2	126.2
– amortisation	(114.3)	(101.0)
At 31 December	**27.9**	25.2

Intangible assets comprise computer software and are a combination 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.

The Company has no intangible assets.

13. Investment in subsidiaries

Company	2022 £m	2021 £m
Investment in subsidiaries	**712.5**	712.5
Share-based payment adjustment	**19.8**	18.9
Total investment in subsidiaries	**732.3**	731.4

The company acquired the international businesses of the Provident Financial plc Group on 16 July 2007 by issuing one company share to the shareholders of Provident Financial plc for each Provident Financial plc share held by them. The fair value of the consideration issued in exchange for the investment in these international businesses was £663.6m and this amount was therefore capitalised as a cost of investment. On 6 February 2015, the Group acquired 100% of the issued share capital of MCB Finance Group plc (MCB) for a cash consideration of £23.2m. Subsequent to this, further investments of £25.7m have been made in these acquired businesses.

£19.8m (2021: £18.9m) has been added to the cost of investment representing the fair value of the share-based payment awards over the company's shares made to employees of subsidiary companies of the company. 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, a review has been carried out of the recoverable amount of the carrying value of the investment. This review entailed 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 was 12% (2021: 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 Unlimited Company	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

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 and IPF Management Unlimited Company which are 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 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

Group	**Computer equipment £m**	**Fixtures and fittings £m**	**Motor vehicles £m**	**Total £m**
Cost				
At 1 January 2022	**79.3**	**22.9**	**0.5**	**102.7**
Exchange adjustments	**2.9**	**1.8**	**–**	**4.7**
Additions	**5.3**	**3.8**	**–**	**9.1**
Disposals	**(4.4)**	**(2.9)**	**(0.4)**	**(7.7)**
At 31 December 2022	**83.1**	**25.6**	**0.1**	**108.8**
Depreciation				
At 1 January 2022	**(70.4)**	**(18.2)**	**(0.3)**	**(88.9)**
Exchange adjustments	**(2.6)**	**(1.3)**	**–**	**(3.9)**
Charge to the income statement	**(4.1)**	**(2.1)**	**–**	**(6.2)**
Disposals	**4.5**	**2.8**	**0.2**	**7.5**
At 31 December 2022	**(72.6)**	**(18.8)**	**(0.1)**	**(91.5)**
Net book value at 31 December 2022	**10.5**	**6.8**	**–**	**17.3**

The Company has property, plant and equipment with a cost of £2.4m (2021: £2.4m); depreciation of £1.1m (2021: £1.0m); and a net book value of £1.3m (2021: £1.4m). 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 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

	Motor vehicles £m	**Properties £m**	**Equipment £m**	**Group £m**
Net book value at 1 January 2022	**5.7**	**11.9**	**0.1**	**17.7**
Exchange adjustments	**0.6**	**0.8**	**–**	**1.4**
Additions	**3.8**	**5.0**	**–**	**8.8**
Modifications	**(0.5)**	**0.5**	**(0.1)**	**(0.1)**
Depreciation	**(3.9)**	**(4.6)**	**–**	**(8.5)**
Net book value at 31 December 2022	**5.7**	**13.6**	**–**	**19.3**

The amounts recognised in profit and loss are as follows:

Group	**2022 £m**	2021 £m
Depreciation on right-of-use assets	**8.5**	8.4
Interest expense on lease liabilities	**1.6**	1.4
Expense relating to short term leases	**1.2**	1.2
	11.3	11.0

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

	2022 £m	2021 £m
Lease liability at 1 January	**18.7**	19.2
Exchange adjustments	**1.6**	(0.8)
Additions	**8.7**	8.8
Interest	**1.6**	1.4
Lease payments	**(9.2)**	(9.9)
Lease liability at 31 December	**21.4**	18.7
Current liabilities	**7.2**	6.4
Non-current liabilities:		
– between one and five years	**12.2**	10.6
– greater than five years	**2.0**	1.7
	14.2	12.3
Lease liability at 31 December	**21.4**	18.7

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 2022 was 8.9% (2021: 7.2%).

The total cash outflow in the year in respect of lease contracts was £9.4m (2021: £10.3m).

The Company has one lease as at 31 December 2022 (2021: one lease) in respect of the UK head office premises, with a lease liability of £2.7m (2021: £2.8m).

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
At 1 January	**116.8**	121.9	**(0.7)**	(0.2)
Exchange adjustments	**14.1**	(4.4)	**–**	–
Tax charge to the income statement	**–**	(0.1)	**(0.2)**	(0.6)
Tax credit/(charge) on other comprehensive (expense)/income	**1.7**	(0.6)	**0.9**	0.1
At 31 December	**132.6**	116.8	**–**	(0.7)

The UK corporation tax rate was 19% throughout 2022. The Finance Act 2021, which was substantively enacted on 2 May 2021, included an amending provision to increase the UK corporation tax rate to 25% with effect from 1 April 2023. Accordingly, UK deferred tax assets and liabilities at 31 December 2022 have been measured with reference to these rates.

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Deferred tax assets	**138.5**	124.7	**0.5**	0.5
Deferred tax liabilities	**(5.9)**	(7.9)	**(0.5)**	(1.2)
At 31 December	**132.6**	116.8	**–**	(0.7)

	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 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)
At 1 January 2022	**43.4**	**75.9**	**(2.5)**	**116.8**	**(1.2)**	**0.5**	**(0.7)**
Exchange adjustments	**6.3**	**7.0**	**0.8**	**14.1**	**–**	**–**	**–**
Tax (charge)/credit to the income statement	**(17.6)**	**16.0**	**1.6**	**–**	**(0.2)**	**–**	**(0.2)**
Tax credit on items taken directly to equity	**–**	**–**	**1.7**	**1.7**	**0.9**	**–**	**0.9**
At 31 December 2022	**32.1**	**98.9**	**1.6**	**132.6**	**(0.5)**	**0.5**	**–**

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 2022, the Group has unused tax losses of £212.3m (2021: £218.2m) available for offset against future profits. A deferred tax asset has been recognised in respect of £109.1m (2021: £149.7m) of these losses where profit projections indicate the existence of sufficient taxable profits to support the recognition of the asset. The recognition for 2022 was based on the forecast profits contained in the Group's five year business plan approved by the Board in December 2022. See information on Going Concern on page 37 for more details regarding the business plan. No deferred tax has been recognised in respect of the remaining £103.2m (2021: £68.5m) 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 approximately £32.0m (2021: £26.0m).

A deferred tax liability of approximately £0.8m (2021: £0.4m) 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 approximately £22.0m (2021: £19.0m) 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	**2022 £m**	2021 £m
Amounts receivable from customers comprise:		
– amounts due within one year	**656.6**	566.6
– amounts due in more than one year	**212.2**	150.2
Total amounts recoverable from customers	**868.8**	716.8

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	**2022 £m**	2021 £m
Polish zloty	**278.9**	247.6
Czech crown	**56.1**	48.7
Euro	**90.5**	87.8
Hungarian forint	**125.4**	101.7
Mexican peso	**188.7**	133.3
Romanian leu	**89.1**	69.8
Australian dollar	**40.1**	27.9
Total	**868.8**	716.8

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 has the following recognition criteria:

- Stage 1: 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 2: Lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition.
- Stage 3: Credit impaired.

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.
- 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 repayments performance of customers.

The default definition has been applied consistently to model the PD, and LGD throughout the Group's expected credit loss calculations.

An instrument is considered to no longer be in default (i.e. to have recovered) 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:

	2022				2021			
	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	**439.7**	**78.9**	**140.9**	**659.5**	360.3	57.9	125.3	543.5
IPF Digital	**193.7**	**9.4**	**6.2**	**209.3**	159.8	8.6	4.9	173.3
Group	**633.4**	**88.3**	**147.1**	**868.8**	520.1	66.5	130.2	716.8

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.

	2022				2021			
	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	**782.0**	**161.8**	**422.8**	**1,366.6**	649.7	124.1	379.0	1,152.8
Loss allowance	**(148.6)**	**(73.5)**	**(275.7)**	**(497.8)**	(129.6)	(57.6)	(248.8)	(436.0)
Net receivables	**633.4**	**88.3**	**147.1**	**868.8**	520.1	66.5	130.2	716.8

Gross carrying amount

The changes in gross carrying amount recognised for the period is impacted by a variety of factors:

- Customer lending 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 customer lending;
  - 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 impacts 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:

	2022				2021			
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	**457.2**	**107.9**	**342.6**	**907.7**	385.2	101.9	403.0	890.1
Customer lending	**894.4**	**–**	**–**	**894.4**	793.4	–	–	793.4
Transfers between stages:	**(311.6)**	**78.2**	**233.4**	**–**	(201.5)	69.7	131.8	–
- From stage 1	**(327.6)**	**144.7**	**182.9**	**–**	(220.3)	102.7	117.6	–
- From stage 2	**6.8**	**(67.6)**	**60.8**	**–**	5.3	(34.0)	28.7	–
- From stage 3	**9.2**	**1.1**	**(10.3)**	**–**	13.5	1.0	(14.5)	–
Revenue	**327.1**	**69.1**	**132.2**	**528.4**	269.3	52.8	108.6	430.7
Recoveries	**(982.3)**	**(133.2)**	**(380.7)**	**(1,496.2)**	(765.8)	(97.6)	(366.4)	(1,229.8)
Other movements	**169.4**	**24.4**	**62.3**	**256.1**	(23.4)	(18.9)	65.6	23.3
Closing gross carrying amount at 31 December	**554.2**	**146.4**	**389.8**	**1,090.4**	457.2	107.9	342.6	907.7

	2022				2021			
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	**(96.9)**	**(50.0)**	**(217.3)**	**(364.2)**	(96.5)	(50.9)	(260.4)	(407.8)
Loss allowance on customer lending	**(99.1)**	**–**	**–**	**(99.1)**	(90.7)	–	–	(90.7)
Transfers between stages:	**63.0**	**(18.3)**	**(44.7)**	**–**	39.1	(20.5)	(18.6)	–
- From stage 1	**70.5**	**(44.3)**	**(26.2)**	**–**	48.9	(32.9)	(16.0)	–
- From stage 2	**(2.3)**	**26.3**	**(24.0)**	**–**	(1.7)	12.8	(11.1)	–
- From stage 3	**(5.2)**	**(0.3)**	**5.5**	**–**	(8.1)	(0.4)	8.5	–
Change in risk parameters	**0.2**	**–**	**0.5**	**0.7**	1.9	(0.1)	–	1.8
Other impairment	**(12.0)**	**(8.7)**	**38.4**	**17.7**	34.1	4.1	18.5	56.7
Impairment	**(47.9)**	**(27.0)**	**(5.8)**	**(80.7)**	(15.6)	(16.5)	(0.1)	(32.2)
Recoveries	**44.6**	**19.7**	**4.0**	**68.3**	5.8	7.8	62.6	76.2
Other movements	**(14.3)**	**(10.2)**	**(29.8)**	**(54.3)**	9.4	9.6	(19.4)	(0.4)
Closing loss allowance at 31 December	**(114.5)**	**(67.5)**	**(248.9)**	**(430.9)**	(96.9)	(50.0)	(217.3)	(364.2)

	2022				2021			
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	**360.3**	**57.9**	**125.3**	**543.5**	288.7	51.0	142.6	482.3
Customer lending	**894.4**	**–**	**–**	**894.4**	793.4	–	–	793.4
Transfers between stages:	**(311.6)**	**78.2**	**233.4**	**–**	(201.5)	69.7	131.8	–
- From stage 1	**(327.6)**	**144.7**	**182.9**	**–**	(220.3)	102.7	117.6	–
- From stage 2	**6.8**	**(67.6)**	**60.8**	**–**	5.3	(34.0)	28.7	–
- From stage 3	**9.2**	**1.1**	**(10.3)**	**–**	13.5	1.0	(14.5)	–
Revenue	**327.1**	**69.1**	**132.2**	**528.4**	269.3	52.8	108.6	430.7
Impairment	**(47.9)**	**(27.0)**	**(5.8)**	**(80.7)**	(15.6)	(16.5)	(0.1)	(32.2)
Recoveries	**(937.7)**	**(113.5)**	**(376.7)**	**(1,427.9)**	(760.0)	(89.8)	(303.8)	(1,153.6)
Other movements	**155.1**	**14.2**	**32.5**	**201.8**	(14.0)	(9.3)	46.2	22.9
Closing net receivables at 31 December	**439.7**	**78.9**	**140.9**	**659.5**	360.3	57.9	125.3	543.5

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:

	2022				2021			
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	**192.5**	**16.2**	**36.4**	**245.1**	216.1	23.2	53.1	292.4
Customer lending	**232.0**	**–**	**–**	**232.0**	188.7	–	–	188.7
Transfers between stages:	**(37.5)**	**(0.9)**	**38.4**	**–**	(33.3)	(4.6)	37.9	–
- From stage 1	**(83.9)**	**82.5**	**1.4**	**–**	(82.3)	78.6	3.7	–
- From stage 2	**44.2**	**(84.7)**	**40.5**	**–**	46.2	(84.6)	38.4	–
- From stage 3	**2.2**	**1.3**	**(3.5)**	**–**	2.8	1.4	(4.2)	–
Revenue	**105.1**	**8.1**	**3.9**	**117.1**	105.7	8.3	4.0	118.0
Recoveries	**(283.2)**	**(8.2)**	**(48.6)**	**(340.0)**	(267.6)	(9.0)	(58.5)	(335.1)
Other movements	**18.9**	**0.2**	**2.9**	**22.0**	(17.1)	(1.7)	(0.1)	(18.9)
Closing gross carrying amount at 31 December	**227.8**	**15.4**	**33.0**	**276.2**	192.5	16.2	36.4	245.1

	2022				2021			
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	**(32.7)**	**(7.6)**	**(31.5)**	**(71.8)**	(38.3)	(16.1)	(51.2)	(105.6)
Loss allowance on customer lending	**(27.6)**	**–**	**–**	**(27.6)**	(24.7)	–	–	(24.7)
Transfers between stages:	**(6.3)**	**27.6**	**(21.3)**	**–**	(8.3)	30.2	(21.9)	–
- From stage 1	**9.7**	**(9.5)**	**(0.2)**	**–**	11.7	(11.3)	(0.4)	–
- From stage 2	**(14.1)**	**37.9**	**(23.8)**	**–**	(17.9)	42.4	(24.5)	–
- From stage 3	**(1.9)**	**(0.8)**	**2.7**	**–**	(2.1)	(0.9)	3.0	–
Change in risk parameters	**3.9**	**0.7**	**1.3**	**5.9**	2.9	1.6	0.1	4.6
Other impairment	**17.1**	**(36.0)**	**14.6**	**(4.3)**	19.6	(39.3)	15.8	(3.9)
Impairment	**(12.9)**	**(7.7)**	**(5.4)**	**(26.0)**	(10.5)	(7.5)	(6.0)	(24.0)
Recoveries	**–**	**–**	**29.8**	**29.8**	–	–	40.0	40.0
Other movements	**11.5**	**9.3**	**(19.7)**	**1.1**	16.1	16.0	(14.3)	17.8
Closing loss allowance at 31 December	**(34.1)**	**(6.0)**	**(26.8)**	**(66.9)**	(32.7)	(7.6)	(31.5)	(71.8)

	2022				2021			
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	**159.8**	**8.6**	**4.9**	**173.3**	177.8	7.1	1.9	186.8
Customer lending	**232.0**	**–**	**–**	**232.0**	188.7	–	–	188.7
Transfers between stages:	**(37.5)**	**(0.9)**	**38.4**	**–**	(33.3)	(4.6)	37.9	–
- From stage 1	**(83.9)**	**82.5**	**1.4**	**–**	(82.3)	78.6	3.7	–
- From stage 2	**44.2**	**(84.7)**	**40.5**	**–**	46.2	(84.6)	38.4	–
- From stage 3	**2.2**	**1.3**	**(3.5)**	**–**	2.8	1.4	(4.2)	–
Revenue	**105.1**	**8.1**	**3.9**	**117.1**	105.7	8.3	4.0	118.0
Impairment	**(12.9)**	**(7.7)**	**(5.4)**	**(26.0)**	(10.5)	(7.5)	(6.0)	(24.0)
Recoveries	**(283.2)**	**(8.2)**	**(18.8)**	**(310.2)**	(267.6)	(9.0)	(18.5)	(295.1)
Other movements	**30.4**	**9.5**	**(16.8)**	**23.1**	(1.0)	14.3	(14.4)	(1.1)
Closing net receivables at 31 December	**193.7**	**9.4**	**6.2**	**209.3**	159.8	8.6	4.9	173.3

17. Amounts receivable from customers continued

Impairment as a percentage of gross carrying amount for each geographical segment is shown below:

Group	2022 %	2021 %
European home credit	**0.7**	(0.3)
Mexico home credit	**31.6**	18.9
IPF Digital	**10.1**	9.4

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2021: £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 99% (2021: 93%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 13.0 months (2021: 12.3 months).

No collateral is held in respect of any customer receivables.

Management monitor credit quality using two key metrics: impairment as a percentage of gross carrying amount and gross cash loss (GCL) development. Commentary on impairment as a percentage of gross carrying amount 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 repaid and will ultimately be written off for any loan or group of loans. Until repayments 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 (2021: £nil).

18. Cash and cash equivalents

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Cash at bank and in hand	**50.7**	41.7	**5.0**	4.4

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

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
GBP sterling	**4.5**	3.9	**4.6**	4.0
Polish zloty	**16.5**	11.4	**-**	–
Czech crown	**1.1**	2.9	**-**	–
Euro	**12.9**	9.9	**0.4**	0.4
Hungarian forint	**1.4**	1.7	**-**	–
Mexican peso	**11.9**	8.1	**-**	–
Romanian leu	**1.9**	2.7	**-**	–
Australian dollar	**0.5**	1.1	**-**	–
Total	**50.7**	41.7	**5.0**	4.4

19. Other receivables

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Other receivables	**7.4**	6.8	**-**	–
Prepayments	**8.8**	7.2	**0.2**	0.1
Amounts due from Group undertakings	**–**	–	**527.4**	555.4
Total	**16.2**	14.0	**527.6**	555.5

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Trade payables	**15.5**	10.8	**0.6**	–
Other payables including taxation and social security	**53.1**	44.0	**0.4**	0.3
Accruals	**53.6**	58.0	**13.5**	11.9
Amounts due to Group undertakings	**–**	–	**357.8**	371.2
Total	**122.2**	112.8	**372.3**	383.4

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Borrowings				
Bank borrowings	**135.1**	75.8	**–**	–
Bonds	**413.7**	395.8	**413.7**	395.8
Total	**548.8**	471.6	**413.7**	395.8

The Group's external bonds comprise the following:

Bond	Coupon %	Maturity date	**2022 £m**
Euro bond - €341.2m	9.750	2025	**302.6**
Swedish krona bond - 450.0m	Three–month STIBOR plus 700 basis points	2024	**35.8**
Retail bond - £40.5m	7.750	2023	**40.5**
Retail bond - £40.2m	12.000	2027	**40.2**
			419.1
Less: unamortised arrangement fees and issue discount			**(5.4)**
Total			**413.7**

The Swedish Krona 450m (£35.8m) 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Borrowings				
Repayable:				
– in less than one year	**71.8**	3.1	**40.5**	–
– between one and two years	**57.1**	87.4	**35.8**	77.2
– between two and five years	**419.9**	381.1	**337.4**	318.6
Total	**548.8**	471.6	**413.7**	395.8

The average period to maturity of the Group's external bonds and committed external borrowing facilities is 2.5 years (2021: 2.9 years).

21. Borrowing facilities and borrowings continued

The currency exposure on external borrowings is as follows:

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Sterling	**79.5**	77.2	**79.5**	77.2
Polish zloty	**20.5**	0.8	**-**	–
Czech crown	**19.6**	–	**-**	–
Euro	**298.4**	281.7	**298.4**	281.7
Hungarian forint	**79.4**	71.6	**-**	–
Romanian leu	**5.9**	3.4	**-**	–
Mexican peso	**9.7**	-	**-**	–
Swedish krona	**35.8**	36.9	**35.8**	36.9
Total	**548.8**	471.6	**413.7**	395.8

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

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Bond and bank facilities available				
Repayable:				
– on demand	**31.6**	28.8	**9.8**	9.7
– in less than one year	**84.7**	29.1	**46.2**	5.5
– between one and two years	**57.4**	124.1	**35.8**	90.3
– between two and five years	**437.3**	392.8	**367.2**	324.1
Total	**611.0**	574.8	**459.0**	429.6

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

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Expiring within one year	**44.5**	54.8	**15.5**	15.2
Expiring between one and two years	**0.3**	35.8	**-**	12.2
Expiring in more than two years	**12.0**	6.2	**24.4**	–
Total	**56.8**	96.8	**39.9**	27.4

Undrawn external facilities above do 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 thirteen 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 2022, the Group's bonds and committed borrowing facilities had an average period to maturity of 2.5 years (2021: 2.9 years).

As shown in note 21, total undrawn facilities as at 31 December 2022 were £56.8m (2021: £96.8m).

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Not later than six months	**21.8**	20.1	**191.9**	240.6
Later than six months and not later than one year	**91.1**	23.7	**59.3**	33.6
Later than one year and not later than two years	**109.3**	125.2	**255.1**	247.6
Later than two years and not later than five years	**450.5**	446.7	**375.7**	377.9
Total	**672.7**	615.7	**882.0**	899.7

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 £358.5m (2021: £371.2m).

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:

	2022		2021	
Group	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**250.5**	**249.2**	189.2	185.7
Later than one month and not later than six months	**114.4**	**114.4**	182.0	174.9
Later than six months and not later than one year	**7.9**	**7.4**	17.1	16.7
Later than one year and not later than two years	**3.3**	**3.0**	-	-
Total	**376.1**	**374.0**	388.3	377.3

	2022		2021	
Company	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**19.8**	**19.7**	4.3	4.2
Later than one month and not later than six months	**0.7**	**0.7**	0.6	0.6
Later than six months and not later than one year	**0.4**	**0.4**	0.4	0.4
Total	**20.9**	**20.8**	5.3	5.2

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 %
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
Total	716.8	100.0	574.8	100.0
2022				
Less than one year	**656.6**	**75.6**	**116.3**	**19.0**
Later than one year	**212.2**	**24.4**	**494.7**	**81.0**
Total	**868.8**	**100.0**	**611.0**	**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 (10.5% in 2022; 9.8% in 2021) 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	**2022 £m**	2021 £m
Reduction in profit before taxation	**1.7**	0.4

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 2022 is an increase in net assets of £41.8m (2021: reduction of £37.6m). 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	2022 £m	2021 £m
Change in reserves	4.3	4.4
Change in profit before taxation	7.1	7.0

This sensitivity analysis is based on the following assumptions:

- there is a 5% strengthening/weakening of sterling against all currencies in which the Group operates (Polish zloty, Czech crown, euro, Hungarian forint, Mexican peso, Romanian leu, 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	2022 £m	2021 £m
Cash and cash equivalents	50.7	41.7
Derivative financial assets	4.5	0.7
Total	**55.2**	42.4

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 are considered to be able to 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	2022 £m	2021 £m
Amounts receivable from customers	868.8	716.8

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. The Financial review on page 30 includes information on the Group's Financial model which covers the Group's capital structure strategy.

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	2022 £m	2021 £m
Receivables	868.8	716.8
Borrowings	(548.8)	(471.6)
Other net assets	125.2	121.9
Equity	445.2	367.1
Equity as % of receivables	51.2%	51.2%
Gearing	1.2	1.3

The Group has a target equity to receivables rate of 40%. At 31 December 2022, the equity to receivables rate was 51.2% (2021: 51.2%). Additional capital is currently being held to support strong receivables growth post Covid-19, the rebuilding of Group returns and the Group's progressive dividend policy.

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 36.

23. Derivative financial instruments

The Group's derivative assets and liabilities that were measured at fair value at 31 December are as follows:

Group	2022 £m	2021 £m
Assets		
Foreign currency contracts	4.5	0.7
Total	4.5	0.7

Group	2022 £m	2021 £m
Liabilities		
Foreign currency contracts	4.6	7.6
Total	4.6	7.6

Company	2022 £m	2021 £m
Liabilities		
Foreign currency contracts	0.1	0.1
Total	0.1	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.

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 £2.3m has been charged to equity for the Group in the period in respect of cash flow hedges (2021: £1.4m credited to equity), Company: £0.1m charged to equity (2021: £nil).

23. Derivative financial instruments continued

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 2021			
Foreign currency contracts	388.3	–	388.3
Cash flow hedges	388.3	–	388.3
As at 31 December 2022			
Foreign currency contracts	**372.8**	**3.3**	**376.1**
Cash flow hedges	**372.8**	**3.3**	**376.1**

Company	Repayable up to one year £m	In more than one year but less than two years £m	Total £m
As at 31 December 2021			
Foreign currency contracts	5.3	–	5.3
Cash flow hedges	5.3	–	5.3
As at 31 December 2022			
Foreign currency contracts	**20.9**	**–**	**20.9**
Cash flow hedges	**20.9**	**–**	**20.9**

The Group and the company had held no interest rate swaps at 31 December 2022 (2021: nil).

24. Analysis of financial assets and financial liabilities

Financial assets

An analysis of Group financial assets is presented below:

	2022			2021		
Group	**Financial assets at amortised cost £m**	**Derivatives used for hedging £m**	**Total £m**	Financial assets at amortised cost £m	Derivatives used for hedging £m	Total £m
Amounts receivable from customers	**868.8**	**–**	**868.8**	716.8	–	716.8
Derivative financial instruments	**–**	**4.5**	**4.5**	–	0.7	0.7
Cash and cash equivalents	**50.7**	**–**	**50.7**	41.7	–	41.7
Other receivables	**16.2**	**–**	**16.2**	14.0	–	14.0
Total	**935.7**	**4.5**	**940.2**	772.5	0.7	773.2

Financial liabilities

An analysis of Group financial liabilities is presented below:

	2022			2021		
Group	**Financial liabilities at amortised cost £m**	**Derivatives used for hedging £m**	**Total £m**	Financial liabilities at amortised cost £m	Derivatives used for hedging £m	Total £m
Bonds	**413.7**	**–**	**413.7**	395.8	–	395.8
Bank borrowings	**135.1**	**–**	**135.1**	75.8	–	75.8
Derivative financial instruments	**–**	**4.6**	**4.6**	–	7.6	7.6
Trade and other payables	**122.2**	**–**	**122.2**	112.8	–	112.8
Provision for liabilities and charges	**4.7**	**–**	**4.7**	5.4	–	5.4
Total	**675.7**	**4.6**	**680.3**	589.8	7.6	597.4

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:

		Fair values			
At 31 December 2021	Carrying value £m	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

		Fair values			
At 31 December 2022	Carrying value £m	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	Total fair value £m
Financial assets					
Amounts receivable from customers	**868.8**	**–**	**–**	**1,111.2**	**1,111.2**
Derivative financial instruments	**4.5**	**–**	**4.5**	**–**	**4.5**
Cash and cash equivalents	**50.7**	**50.7**	**–**	**–**	**50.7**
Other receivables	**16.2**	**–**	**–**	**16.2**	**16.2**
	940.2	**50.7**	**4.5**	**1,127.4**	**1,182.6**
Financial liabilities					
Bonds	**413.7**	**358.2**	**–**	**–**	**358.2**
Bank borrowings	**135.1**	**135.1**	**–**	**–**	**135.1**
Derivative financial instruments	**4.6**	**–**	**4.6**	**–**	**4.6**
Trade and other payables	**122.2**	**–**	**–**	**122.2**	**122.2**
Provision for liabilities and charges	**4.7**	**–**	**–**	**4.7**	**4.7**
	680.3	**493.3**	**4.6**	**126.9**	**624.8**

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 2021	Carrying value £m	Fair values Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets					
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

At 31 December 2022	**Carrying value £m**	**Fair values Level 1 £m**	**Level 2 £m**	**Level 3 £m**	Total fair value £m
Financial assets					
Cash and cash equivalents	**5.0**	**5.0**	**–**	**–**	**5.0**
Other receivables	**527.6**	**–**	**–**	**527.6**	**527.6**
	532.6	**5.0**	**–**	**527.6**	**532.6**
Financial liabilities					
Bonds	**413.7**	**358.2**	**–**	**–**	**358.2**
Derivative financial instruments	**0.1**	**–**	**0.1**	**–**	**0.1**
Trade and other payables	**372.3**	**–**	**–**	**372.3**	**372.3**
	786.1	**358.2**	**0.1**	**372.3**	**730.6**

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 repayment costs, at the Group's weighted average cost of capital which is estimated to be 12% (2021: 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 £4.7m represent the Group's best estimate of the costs that are expected to be incurred in relation to early settlement rebates in Poland (2022: £0.6m; 2021: £3.3m) and claims management charges incurred in Spain (2022: £4.1m; 2021: £2.1m). All claims are expected to be settled within 12 months of the balance sheet date. Further details are included on page 142.

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 2022. The major assumptions used by the actuary were:

Group and Company	**2022** **%**	2021 %
Price inflation ('CPI')	**2.6**	2.7
Rate of increase to pensions in payment	**3.1**	3.3
Discount rate	**5.0**	1.8

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 26 years. On average, we expect a female retiring in the future at age 65 to live for a further 28 years. If life expectancies had been assumed to be one year greater for all members, the defined benefit asset would reduce by approximately £0.8m.

If the discount rate was 50 basis points higher/(lower), the defined benefit asset would increase by £1.9m/(decrease by £2.2m).

If the price inflation rate was 25 basis points higher/(lower), the defined benefit asset would decrease by £0.7m/(increase by £0.6m).

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	**2022** **£m**	2021 £m
Diversified growth funds	**4.6**	7.9
Corporate bonds	**14.5**	20.2
Liability driven investments	**11.7**	23.1
Other	**0.1**	0.1
Total fair value of scheme assets	**30.9**	51.3
Present value of funded defined benefit obligations	**(28.8)**	(46.4)
Net asset recognised in the balance sheet	**2.1**	4.9

The amounts recognised in the income statement are as follows:

Group and Company	**2022** **£m**	2021 £m
Interest cost	**0.8**	0.7
Expected return on scheme assets	**(0.9)**	(0.8)
Net credit recognised in the income statement	**(0.1)**	(0.1)

The net credit is included within administrative expenses.

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

Group and Company	**2022** **£m**	2021 £m
Fair value of scheme assets at 1 January	**51.3**	52.2
Expected return on scheme assets	**0.9**	0.8
Actuarial loss on scheme assets	**(21.3)**	(1.6)
Contributions by the Group	**0.9**	0.9
Net benefits paid out	**(0.9)**	(1.0)
Fair value of scheme assets at 31 December	**30.9**	51.3

The Group expects to make a contribution of £nil (2021: £0.9m) to the deferred benefit pension scheme in the year ending 31 December 2023. The Group has now completed all payments 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	2022 £m	2021 £m
Defined benefit obligation at 1 January	(46.4)	(48.8)
Interest cost	(0.8)	(0.7)
Actuarial gain on scheme liabilities	17.5	2.1
Net benefits paid out	0.9	1.0
Defined benefit obligation at 31 December	(28.8)	(46.4)

The weighted average duration of the defined benefit asset is 16 years (2021: 21 years).

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

Group and Company	2022 £m	2021 £m
Expected return on scheme assets	0.9	0.8
Actuarial loss on scheme assets	(21.3)	(1.6)
Actual loss on scheme assets	(20.4)	(0.8)

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	2022 £m	2021 £m
Actuarial loss on scheme assets	(21.3)	(1.6)
Actuarial gain on scheme liabilities	17.5	2.1
Total (loss)/gain recognised in the SOCI in the year	(3.8)	0.5
Cumulative amount of losses recognised in the SOCI	(20.5)	(16.7)

The history of experience adjustments are as follows:

Group and Company	2022	2021	2020*	2019*	2018*
Actuarial (losses)/gains on scheme assets:					
– amount (£m)	(21.3)	(1.6)	6.7	4.4	(2.2)
– percentage of scheme assets (%)	(68.9)	(3.1)	12.8	9.6	(5.3)
Experience (losses)/gains on scheme liabilities:					
– amount (£m)	(2.4)	1.7	–	–	–
– percentage of scheme liabilities (%)	(8.3)	3.7	–	–	–

* 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 £0.8m for the year ended 31 December 2022 (2021: £0.7m). £0.1m contributions were payable to the scheme at the year end (2021: £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 Discretionary Award Plan in 2022.

Options granted under the Performance Share Plans and CSOPs may be subject to a total shareholder return (TSR) performance target and/or EPS growth; net revenue growth; customer numbers growth; customer representative 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 and, therefore, 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, although, no TSR targets are assigned. The Deferred Share Plan comprises deferred awards with matching awards. From the 2018 scheme onwards, the Deferred Share Plan does not have matching awards. There are no additional performance criteria attached to the deferred awards, therefore, the income statement charge is calculated using the actual share price at the date the award is granted. The matching awards are subject to the same criteria as the Performance Share Plan.

The total income statement charge in respect of these share-based payments in 2022 was £2.2m (2021: credit of £0.2m).

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*	Deferred Share Plan
Grant date	26/8/22	9/3/22	9/3/22
Share price at award date	1.01	0.90	0.90
Base price for TSR	n/a	0.80	n/a
Exercise price	0.75	Nil	n/a
Vesting period (years)	3 and 5	3	3
Expected volatility	63.5%	70.0%	n/a
Award life (years)	Up to 5	3	n/a
Expected life (years)	Up to 5	3	n/a
Risk-free rate	2.60%	1.53%	n/a
Expected dividends expressed as a dividend yield	8.29%	8.29%	n/a
Deferred portion	n/a	n/a	n/a
TSR threshold	n/a	30.0%	n/a
TSR maximum target	n/a	60.0%	n/a
EPS threshold	n/a	60.3p	n/a
EPS maximum target	n/a	82.9p	n/a
Net revenue threshold	n/a	5.7%	n/a
Net revenue maximum target	n/a	11.4%	n/a
Fair value per award (£)	0.46 – 0.49	0.47 – 0.70	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.

Further detail in respect of the Performance Share Plans, CSOPs, Deferred Share Plans, SAYE schemes and Discretionary Award Plans is provided 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:

Group	SAYE schemes		CSOPs		Deferred Share Plans		Performance Share Plans		Discretionary Award Plans	
	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 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	–
Outstanding at 1 January 2022	**1,024,638**	**0.94**	**8,657**	**4.05**	**2,336,727**	**–**	**7,423,123**	**–**	**1,373,738**	**–**
Granted	**974,128**	**0.75**	**–**	**–**	**1,103,152**	**–**	**3,330,378**	**–**	**–**	**–**
Expired/lapsed	**(250,370)**	**0.99**	**–**	**–**	**–**	**–**	**(4,038,611)**	**–**	**(236,278)**	**–**
Exercised	**–**	**–**	**–**	**–**	**(1,045,164)**	**–**	**(163,972)**	**–**	**–**	**–**
Outstanding at 31 December 2022	**1,748,396**	**0.82**	**8,657**	**4.05**	**2,394,715**	**–**	**6,550,918**	**–**	**1,137,460**	**–**

Share awards outstanding at 31 December 2022 had exercise prices of £0.75 – £5.26 (2021: £0.86 – £5.26) and a weighted average remaining contractual life of 8.4 years (2021: 8.2 years).

The movements in awards during the year for the Company are outlined in the table below:

Company	SAYE schemes		CSOPs		Deferred Share Plans		Performance Share Plans		Discretionary Award Plans	
	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 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	–
Outstanding at 1 January 2022	**678,827**	**0.93**	**3,896**	**4.87**	**819,193**	**–**	**3,282,297**	**–**	**655,521**	**–**
Granted	**659,200**	**0.75**	**–**	**–**	**625,186**	**–**	**1,904,076**	**–**	**–**	**–**
Expired/lapsed	**(156,902)**	**0.97**	**–**	**–**	**–**	**–**	**(1,661,520)**	**–**	**(66,116)**	**–**
Exercised	**–**	**–**	**–**	**–**	**(387,150)**	**–**	**(7,929)**	**–**	**–**	**–**
Outstanding at 31 December 2022	**1,181,125**	**0.81**	**3,896**	**4.87**	**1,057,229**	**–**	**3,516,924**	**–**	**589,405**	**–**

Share awards outstanding at 31 December 2022 had exercise prices of £0.75 – £5.26 (2021: £0.86 – £5.26) and a weighted average remaining contractual life of 8.6 years (2021: 8.1 years).

29. Share capital

Company	2022 £m	2021 £m
234,244,437 authorised, issued and 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 the company 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 2022 was 11,654,312 (2021: 12,463,982). During 2022, the employee trust acquired 351,154 shares at an average price of £1.13 (2021: 1,000,000 acquired at an average price of £1.34) and the treasury trust acquired nil shares (2021: 1,673,203 shares at a price of £1.54 following completion of a share buyback in connection with the Company's withdrawal of it's ordinary shares from trading on the Warsaw Stock Exchange).

30. Reconciliation of profit/(loss) after taxation to cash generated from operating activities

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Profit/(loss) after taxation from operations	56.8	41.9	(16.5)	(48.2)
Adjusted for:				
– tax charge	20.6	25.8	1.7	1.5
– finance costs	68.1	54.0	71.6	73.3
– finance income	–	–	(45.6)	(40.1)
– share-based payment charge/(credit) (note 28)	2.2	(0.2)	1.1	(0.2)
– depreciation of property, plant and equipment (note 14)	6.2	5.6	0.1	0.1
– (profit)/loss on disposal of property, plant and equipment (note 14)	(0.1)	0.4	–	–
– amortisation of intangible assets (note 12)	12.6	14.7	–	–
– depreciation of right-of-use assets (note 15)	8.5	8.4	0.3	0.1
– short term and low value lease costs (note 15)	1.2	1.2	–	–
Changes in operating assets and liabilities:				
– increase in amounts receivable from customers	(115.7)	(88.4)	–	–
– decrease/(increase) in other receivables	13.2	(3.7)	29.2	29.1
– (decrease)/increase in trade and other payables	(3.8)	26.7	(10.3)	(8.2)
– change in provisions	(0.9)	(13.2)	–	–
– change in retirement benefit asset	(1.0)	(1.0)	(1.0)	(1.0)
– (decrease)/increase in derivative financial instrument liabilities	(9.1)	2.1	(0.1)	0.2
Cash generated from operating activities	58.8	74.3	30.5	6.6

31. Capital commitments

Group	2022 £m	2021 £m
Capital expenditure commitments contracted with third parties but not provided for at 31 December	4.5	8.6

The Company has no commitments as at 31 December 2022 (2021: £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 £134.8m (2021: £161.3m). At 31 December 2022, the fixed and floating rate borrowings under these facilities amounted to £180.2m (2021: £89.2m). 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 2022 was £nil (2021: £nil).

33. Related party transactions

The company has various transactions with other companies in the Group. Details of these transactions along with any balances outstanding are shown below:

	2022			2021		
Company	**Recharge of costs £m**	**Interest charge £m**	**Outstanding balance £m**	Recharge of costs £m	Interest charge £m	Outstanding balance £m
Europe	**0.1**	**–**	**26.7**	0.1	–	37.3
Mexico	**–**	**9.1**	**82.3**	–	6.8	55.7
Other UK companies	**5.0**	**(2.7)**	**60.6**	6.6	1.6	91.2
	5.1	**6.4**	**169.6**	6.7	8.4	184.2

The outstanding balance represents the gross intercompany balance receivable by the Company.

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			
Customer lending growth at constant exchange rates (%)	None	Not applicable	Customer lending is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Customer lending growth is the period-on-period change in this metric which is calculated by retranslating the previous year's customer lending 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).
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 (constant exchange rates).
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous year's revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results (constant exchange rates).
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average gross receivables (before impairment provision) and is an indicator of the return being generated from average gross receivables. This measure is reported on a rolling annual basis (annualised).
Impairment rate (%)	None	Not applicable	Impairment rate is reported impairment divided by average gross receivables (before impairment provision) 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 costs, including customer representatives commission, excluding interest expense divided by reported revenue. This measure is reported on a rolling annual basis (annualised). This is useful for comparing cost efficiency across markets.
Pre-exceptional profit before tax (£m)	Profit before tax	Exceptional items	Profit 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 per share (pence)	Earnings per share	Exceptional items	Earnings 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			
Gross receivables (£m)	None	Not applicable	Gross receivables is the same definition as gross carrying amount as per note 17.
Impairment coverage ratio (%)	None	Not applicable	Expected loss allowance divided by gross carrying amount (before impairment provision).
Pre-exceptional return on equity (ROE) (%)	None	Not applicable	Calculated as pre-exceptional profit after tax divided by average opening and closing equity. It is used as a measure of overall shareholder returns.
Pre-exceptional required return on equity (RORE) (%)	None	Not applicable	Calculated as pre-exceptional profit after tax divided by required equity of 40% of average net receivables. 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	Not applicable	Calculated as the sum of undrawn external bank facilities and non-operational cash.
Net debt (£m)	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 Customer representatives	Employee information	Not applicable	Customer representatives 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.
Customer representatives and employee retention (%)	None	Not applicable	This measure represents the proportion of our employees and customer representatives 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 customer representative 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 2021 profit and loss account at the average actual exchange rates used in the current year.

2022 **£m**	**European home credit**	**Mexico home credit**	**IPF Digital**	**Central costs**	**Group**
Customers (000)	**784**	**696**	**253**	**-**	**1,733**
Closing receivables	**501.0**	**158.5**	**209.3**	**-**	**868.8**
Customer lending	**637.0**	**257.4**	**232.0**	**-**	**1,126.4**
Revenue	**317.5**	**210.9**	**117.1**	**-**	**645.5**
Impairment	**(5.2)**	**(75.5)**	**(26.0)**	**-**	**(106.7)**
Net revenue	**312.3**	**135.4**	**91.1**	**-**	**538.8**
Interest expense	**(42.8)**	**(9.9)**	**(15.3)**	**(0.1)**	**(68.1)**
Costs	**(203.9)**	**(107.8)**	**(67.0)**	**(14.6)**	**(393.3)**
Profit/(loss) before tax	**65.6**	**17.7**	**8.8**	**(14.7)**	**77.4**

2021 performance at 2021 average foreign exchange rates

£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
Customer lending	599.2	194.2	188.7	–	982.1
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
Interest expense	(34.0)	(6.6)	(13.3)	(0.1)	(54.0)
Costs	(197.8)	(87.2)	(72.0)	(13.8)	(370.8)
Profit/(loss) before tax	54.5	18.4	8.7	(13.9)	67.7

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Closing receivables	12.2	21.2	10.4	-	43.8
Customer lending	(19.7)	26.1	2.2	-	8.6
Revenue	(8.2)	19.6	0.7	-	12.1
Impairment	(0.4)	(5.6)	(0.4)	-	(6.4)
Net revenue	(8.6)	14.0	0.3	-	5.7
Interest expense	1.2	(0.9)	-	-	0.3
Costs	5.0	(10.2)	(0.8)	-	(6.0)
	(2.4)	2.9	(0.5)	-	-

2021 performance at 2022 average exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Closing receivables	438.1	138.8	183.7	-	760.6
Customer lending	579.5	220.3	190.9	-	990.7
Revenue	276.5	165.6	118.7	-	560.8
Impairment	1.2	(39.4)	(24.4)	-	(62.6)
Net revenue	277.7	126.2	94.3	-	498.2
Interest expense	(32.8)	(7.5)	(13.3)	(0.1)	(53.7)
Costs	(192.8)	(97.4)	(72.8)	(13.8)	(376.8)

Year-on-year movement at constant exchange rates

	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Closing receivables	14.4%	14.2%	13.9%	-	14.2%
Customer lending	9.9%	16.8%	21.5%	-	13.7%
Revenue	14.8%	27.4%	(1.3%)	-	15.1%
Impairment	(533.3%)	(91.6%)	(6.6%)	-	(70.4%)
Net revenue	12.5%	7.3%	(3.4%)	-	8.1%
Interest expense	(30.5%)	(32.0%)	(15.0%)	-	(26.8%)
Other costs	(5.8%)	(10.7%)	8.0%	(5.8%)	(4.4%)

Pre-exceptional return on equity (ROE)

Pre-exceptional ROE is calculated as pre-exceptional profit after tax divided by average pre-exceptional equity:

	2022 £m	2021 £m	2020 £m
Equity (net assets)	**445.2**	367.1	370.5
Exceptional items	**(10.5)**	-	-
Pre-exceptional equity	**434.7**	367.1	370.5
Average pre-exceptional equity	**400.9**	368.8	
Profit after tax	**56.8**	41.9	
Exceptional items	**(10.5)**	-	
Pre-exceptional profit after tax	**46.3**	41.9	
Pre-exceptional ROE	**11.5%**	11.4%	

Pre-exceptional return on required equity (RORE)

Pre-exceptional RORE is calculated as pre-exceptional profit after tax divided by required equity of 40% of average net receivables:

2022	**European home credit £m**	**Mexico home credit £m**	**IPF Digital £m**	**Group £m**
Closing net receivables 2022	**501.0**	**158.5**	**209.3**	**868.8**
Closing net receivables 2021	**425.9**	**117.6**	**173.3**	**716.8**
Average net receivables	**463.4**	**138.1**	**191.3**	**792.8**
Equity (net assets) at 40%	**185.4**	**55.2**	**76.5**	**317.1**
Pre-exceptional profit before tax	**65.6**	**17.7**	**8.8**	**77.4**
Tax at 40%	**(26.2)**	**(7.1)**	**(3.5)**	**(31.1)**
Pre-exceptional profit after tax	**39.4**	**10.6**	**5.3**	**46.3**
Pre-exceptional RORE	**21.3%**	**19.2%**	**6.9%**	**14.6%**

2021	European home credit £m	Mexico home credit £m	IPF Digital £m	Group £m
Closing net receivables 2021	425.9	117.6	173.3	716.8
Closing net receivables 2020	389.5	92.8	186.8	669.1
Average net receivables	407.7	105.2	180.1	693.0
Equity (net assets) at 40%	163.1	42.1	72.0	277.2
Pre-exceptional profit before tax	54.5	18.4	8.7	67.7
Tax at 38%	(20.7)	(7.0)	(3.3)	(25.8)
Pre-exceptional profit after tax	33.8	11.4	5.4	41.9
Pre-exceptional RORE	20.7%	27.1%	7.5%	15.1%

Average gross receivables

	2022 £m	2021 £m
European home credit	**747.5**	708.1
Mexico home credit	**239.0**	179.0
IPF Digital	**258.0**	254.2
Group	**1,244.5**	1,141.3

Impairment coverage ratio

Impairment coverage ratio is calculated as loss allowance divided by closing gross receivables:

	2022 £m	2021 £m
Closing gross receivables	**1,366.6**	1,152.8
Loss allowance	**(497.8)**	(436.0)
Closing net receivables	**868.8**	716.8
Impairment coverage ratio	**36.4%**	37.8%

Financial calendar for 2023

1 March	Announcement of 2022 full-year results
6 April	Ex-dividend date for final dividend
11 April	Record date for final dividend
14 April	DRIP cut-off date
27 April	2023 AGM
5 May	Payment of 2022 final dividend
1 August	Announcement of 2023 half-year results
31 August	Ex-dividend date of interim dividend
1 September	Record date for interim dividend
8 September	DRIP cut-off date
29 September	Payment of 2023 interim dividend

Dividend history

Details of previous dividend payments can be found on our website at www.ipfin.co.uk

Year	pence	Ex-date	Pay date	Type
2022	2.7	01/09/2022	30/09/2022	Interim
2021	5.8	07/04/2021	06/05/2022	Final
2021	2.2	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 who 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 (see below details).

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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