

International Personal Finance plc
Consolidated Quarterly Financial Report for the period ended 31 March 2021
Management Board Report

Principal activity

International Personal Finance plc specialises in providing unsecured consumer credit to 1.7 million customers across 11 markets. We operate the world's largest home credit business and a fintech operator, IPF Digital.

Financial and operational highlights

- **Robust trading performance in Q1 and improved financial performance**
 - Good progress made in rebuilding the business and serving our customers safely
 - Improving credit issued with YoY contraction moderating to 18% in Q1 2021 compared to 31% in Q4 2020
 - Continued strong collections performance delivered 5.2 ppt improvement in impairment as a percentage of revenue to 32.2%
 - Significant improvement in financial performance - group profit before tax of £24.0 million
- **Strong funding position and well-capitalised balance sheet**
 - Well capitalised balance sheet - equity to receivables ratio 54.4%
 - Bond and bank facilities total £591 million of funding to support future growth
 - Headroom on undrawn facilities and non-operational cash balances of £175 million

Group key statistics

	Q1 2020	Q1 2021	YOY change at CER
Customer numbers (000s)	2,040	1,660	(18.6%)
Credit issued (£m)	271.2	214.2	(18.4%)
Revenue (£m)	196.7	130.9	(30.9%)
Annualised impairment % revenue	28.2%	32.2%	(4.0 ppt)
Cost-income ratio	44.2%	49.4%	(5.2 ppt)
Statutory PBT (£m)	8.4	24.0	
Statutory EPS	2.3	5.7	

Market overview and Covid-19 response strategy

The first quarter of the year was affected by the third wave of the Covid-19 pandemic as infection rates increased rapidly and significantly, particularly throughout our European markets, impacting our customers, our people and operations. Governments imposed sweeping restrictions on freedom of movement and social distancing rules were in place in most of our operating countries; other than businesses deemed to be essential, most retail outlets were closed for periods of time and governments continued to encourage employees to work remotely, wherever possible. Together, these challenges resulted in suppressed demand for consumer credit in Q1 and early Q2. As vaccination rates began to increase and infection rates fell, lockdown restrictions were eased and we saw improving levels of demand over the course of Q2. Current forecasts for our markets published

by Citigroup and the EU Commission indicate a rebound in GDP growth from -3% to -5% in 2020 to around +3% to +5% in 2021 and 2022. While there is a degree of uncertainty ahead, it is our expectation that these conditions will continue to support growth in demand for consumer credit in our markets. Although consumer finance continues to be an a very competitive industry across all our countries, following a number of business exits, we expect there to be fewer competitors supplying credit to our market segment in the near term.

Our business has also been directly impacted by three significant temporary Covid-19 related regulations since April 2020. The Polish government initially introduced a reduced cap on non-interest costs of new lending until 8 March 2021, and in January this was extended until 30 June 2021. This temporary regulation has now expired. The temporary debt repayment moratorium in Hungary has been extended until 30 September 2021. As previously reported, borrowers can opt-out of this moratorium if they wish to continue to repay their loans and a significant majority of our customers have chosen to do so. A separate temporary reduction of the APR cap in Hungary which was in place from April 2020 reverted to the pre-Covid-19 cap at the start of this year.

Protecting our people and customers remains our top priority and we continue to provide personal protective equipment and appropriate training to all of our colleagues, and maintain a range of remote alternative repayment options if agents are unable to visit their customers.

Group performance

We are pleased to report that the Group continued to effectively execute its strategy to return to full-year profitability and long-term growth. Building on the momentum achieved in the second half of 2020, we delivered a robust trading performance in the first quarter of the year despite the challenging operational landscape caused by the ongoing Covid-19 pandemic. Our focus on rebuilding the business resulted in a significant improvement in the Group's financial performance, delivering profit before taxation of £24.0 million.

	Q1 2020	Q1 2021	Change £m	Change %	Change at CER %
	£m	£m			
Customer numbers (000s)	2,040	1,660	(380)	(18.6)	(18.6)
Credit issued	271.2	214.2	(57.0)	(21.0)	(18.4)
Average net receivables	956.2	650.3	(305.9)	(32.0)	(30.0)
Revenue	196.7	130.9	(65.8)	(33.5)	(30.9)
Impairment	(60.9)	(4.6)	56.3	92.4	92.0
Net revenue	135.8	126.3	(9.5)	(7.0)	(4.1)
Finance costs	(14.7)	(12.7)	2.0	13.6	11.2
Agents' commission	(18.2)	(16.3)	1.9	10.4	6.3
Other costs	(94.5)	(73.3)	21.2	22.4	20.2
Profit before taxation	8.4	24.0	15.6	185.7	

Group collections performance remained strong throughout the quarter driven by European home credit, enabling our selective relaxation of credit settings to continue. Our increasing sales momentum resulted in the YoY contraction of credit issued moderating from 31% in Q4 2020 to 18% in Q1 2021. Customer numbers also contracted YoY by 19% and the performance in Q1 was in-line with our plan. Wave three of the pandemic across Europe suppressed consumer demand for credit and we saw the impacts of this around the Easter period when Covid-19 infection rates were increasing significantly. We expect this impact to be temporary as vaccination rates are now increasing rapidly,

and we plan to further increase credit issued and grow our receivables portfolio as related Covid-19 restrictions are lifted. Year on year, average net receivables reduced by 30% in Q1 and revenue contracted in-line with this by 31%.

We planned for a weakening in collections performance arising from subsequent waves of the pandemic in the first half of 2021. Against this backdrop, we are very pleased that our teams continued to deliver a very strong performance, resulting in a lower than anticipated impairment charge of £4.6 million in Q1. The better-than-expected collections performance on the pre-Covid-19 portfolio resulted in the release of impairment provisions totalling £11 million which were booked in 2020 to account for customers taking longer than usual to make repayments. Broadly, this provision release was split evenly between temporary missed payments and incremental expected credit losses. In addition, the performance of the receivables portfolio issued from June 2020 onwards has been better than predicted by our impairment models which had a further positive impact on our impairment charge. This resulted in a faster than anticipated improvement in impairment as a percentage of revenue, with the annualised rate reducing by 5.2ppts since the 2020 year end to 32.2%. We expect impairment to further improve during 2021 as the business continues to recover from the impact of the pandemic.

We are also seeing the benefits of the significant cost-saving and rightsizing programmes implemented in 2020 to reflect the smaller scale of our operations and to accelerate a return to full-year profitability. As a result, other costs reduced year on year by 20%. Finance costs reduced by 11% due to the lower average borrowing requirements resulting from our focus on liquidity management in 2020, partially offset by higher funding costs on the 2025 Eurobond.

Strategy

We play an important role in society by providing affordable finance responsibly to underbanked and underserved consumers. Our strategy centres on delivering a positive customer experience and an expanded product range in European home credit to enable these businesses to rebuild their portfolios and deliver strong levels of profitability and returns. These returns will be used to maintain our investment in improving the customer journey and operational efficiency while reinvigorating growth in Mexico home credit and IPF Digital.

In response to the pandemic, we have continued to make good progress on our strategic goals to rebuild the business, return to full-year profitability and deliver long-term sustainable growth.

In 2021 we are focused on rebuilding the receivables portfolio by progressively increasing credit issued in each of our businesses and we continue to believe that there will be lower levels of supply of credit in our markets over the next few years. Beyond the return to full-year profitability, we plan to use our digital expertise combined with our market-leading positions and unrivalled knowledge of our core customer segment to enhance our product proposition for customers and deliver longer-term growth across the Group and we expect to be in a strong position to meet the needs of underserved consumers in our segment.

Business division performance review

As highlighted at the 2020 year end, we merged our two digital businesses in Poland in order to deliver efficiencies of scale and, as a result, the digital lending arm previously reported as part of European home credit is now included in IPF Digital. All comparatives have been amended accordingly and are presented on a like-for-like basis.

European home credit

Our European home credit businesses delivered a robust performance in Q1 and profit before tax increased to £17.4 million against a challenging trading backdrop as the third pandemic wave impacted this region.

	Q1 2020	Q1 2021	Change	Change	Change at CER
	£m	£m	£m	%	%
Customer numbers (000s)	937	810	(127)	(13.6)	(13.6)
Credit issued	140.0	135.8	(4.2)	(3.0)	(0.1)
Average net receivables	534.0	384.2	(149.8)	(28.1)	(25.9)
Revenue	97.9	70.9	(27.0)	(27.6)	(25.3)
Impairment	(24.5)	2.6	27.1	110.6	111.4
Net revenue	73.4	73.5	0.1	0.1	2.1
Finance costs	(8.3)	(7.7)	0.6	7.2	4.9
Agents' commission	(11.9)	(11.1)	0.8	6.7	5.1
Other costs	(46.2)	(37.3)	8.9	19.3	17.8
Profit before taxation	7.0	17.4	10.4	148.6	

Improved collections effectiveness during the second half of 2020 enabled the implementation of our strategy to carefully ease credit settings and start to rebuild the receivables portfolio. This resulted in a significant improvement in sales momentum, with credit issued being flat YoY in Q1 compared to a contraction in Q4 2020 of 22%. Customer numbers contracted year on year by 14%. Average net receivables reduced by 26% due to reductions in credit issued and Covid-19 related impairment provisions and revenue contracted at a similar rate.

Our collections performance remained strong during the first quarter despite planning for some reductions in effectiveness and, as a result, annualised impairment as a percentage of revenue improved by 5.4 ppts since the year end to 30.2%. The benefits of cost-saving measures implemented in 2020 resulted in an 18% reduction in costs. Additionally, agents' commission costs decreased by 5% reflecting the smaller scale of business due to the pandemic impacts.

Mexico home credit

Mexico home credit reported a profit before taxation of £4.9 million, an increase of £1.2 million year on year. This improved performance was driven primarily by a significant reduction in impairment and a lower cost base, partially offset by a reduction in the scale of the business.

	Q1 2020	Q1 2021	Change	Change	Change at CER
	£m	£m	£m	%	%
Customer numbers (000s)	771	603	(168)	(21.8)	(21.8)
Credit issued	56.4	39.7	(16.7)	(29.6)	(22.6)
Average net receivables	144.3	91.6	(52.7)	(36.5)	(30.0)
Revenue	51.5	30.8	(20.7)	(40.2)	(34.3)
Impairment	(16.0)	(1.7)	14.3	89.4	88.4
Net revenue	35.5	29.1	(6.4)	(18.0)	(9.9)
Finance costs	(2.5)	(1.5)	1.0	40.0	34.8
Agents' commission	(6.3)	(5.2)	1.1	17.5	8.8

Other costs	(23.0)	(17.5)	5.5	23.9	17.1
Profit before taxation	3.7	4.9	1.2	32.4	

Our focus on collections and the impact of tighter credit settings resulting from significant continued Covid-19 challenges led to a 22% contraction in customer numbers to 603,000, and a 23% reduction in credit issued year on year, which compares to a contraction in Q4 2020 of 26%. Average net receivables reduced by 30% due to lower credit issued and incremental impairment provisions, and this resulted in a 34% contraction in revenue.

The benefits of actions taken to improve collections and credit quality in Mexico over the past 18 months continued to flow through the business and resulted in annualised impairment as a percentage of revenue improving by 5.4ppts to 28.3% in Q1 2021. This ratio is now within our target range for the Group of 25% to 30% for the first time in a number of years. We continued to manage costs tightly maintaining the benefits of cost savings realised in 2020, delivering a 17% reduction in other costs year on year. In addition, agents' commission reduced by 9% reflecting the smaller-scale business.

IPF Digital

IPF Digital reported a £4.3 million improvement in profit before tax to £4.9 million driven by significantly improved impairment and reduction in costs, offset partially by lower revenue.

	Q1 2020	Q1 2021	Change	Change	Change at CER
	£m	£m	£m	%	%
Customer numbers (000s)	332	247	(85)	(25.6)	(25.6)
Credit issued	74.8	38.7	(36.1)	(48.3)	(48.7)
Average net receivables	277.9	174.5	(103.4)	(37.2)	(37.6)
Revenue	47.3	29.2	(18.1)	(38.3)	(38.8)
Impairment	(20.4)	(5.5)	14.9	73.0	72.9
Net revenue	26.9	23.7	(3.2)	(11.9)	(13.5)
Finance costs	(3.9)	(3.5)	0.4	10.3	10.3
Other costs	(22.4)	(15.3)	7.1	31.7	32.0
Profit before taxation	0.6	4.9	4.3	716.7	

IPF Digital had a challenging first quarter as Covid-19 related lockdowns, particularly in the Baltic states, impacted demand for consumer credit. This relatively soft demand, our continued cautious credit settings in Spain and the cessation of lending in Finland, resulted in a 26% reduction in customers to 247,000 and a 49% contraction of credit issued YoY in Q1, compared to 54% in Q4 2020. Excluding Finland, where the portfolio collect-out is progressing well, credit issued contracted by 37%. Average net receivables reduced by 38% and revenue contracted at a similar rate.

Our collections performance continued to be strong, driven by higher-quality lending and robust processes, and this together with the benefit of debt sales resulted in a 4.9ppt improvement in annualised impairment as a percentage of revenue to 40.5% in Q1. Costs continue to be tightly managed and resulted in a 32% reduction, driven mainly by the benefits of the rightsizing exercise in 2020, lower marketing expenditure and other volume-related costs.

The profitability of IPF Digital is segmented as follows:

	Q1 2020 £m	Q1 2021 £m	Change £m	Change %
Established markets	7.3	7.3	-	-
New markets	(3.4)	0.3	3.7	108.8
Head office costs	(3.3)	(2.7)	0.6	18.2
IPF Digital	0.6	4.9	4.3	716.7

Established markets

The established markets delivered a profit before tax of £7.3 million, driven by a combination of lower net revenue arising from a contraction in our portfolio and lower impairment, and a reduction in other costs.

	Q1 2020 £m	Q1 2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	146	108	(38)	(26.0)	(26.0)
Credit issued	35.7	13.2	(22.5)	(63.0)	(63.9)
Average net receivables	134.6	90.3	(44.3)	(32.9)	(33.9)
Revenue	19.4	13.3	(6.1)	(31.4)	(32.8)
Impairment	(3.8)	0.1	3.9	102.6	102.6
Net revenue	15.6	13.4	(2.2)	(14.1)	(15.7)
Finance costs	(1.7)	(1.8)	(0.1)	(5.9)	(5.9)
Other costs	(6.6)	(4.3)	2.3	34.8	34.8
Profit before taxation	7.3	7.3	-	-	-

Customers and credit issued contracted year on year by 26% and 64% respectively, as a result of tighter credit settings introduced in response to Covid-19 together with our decision to cease lending in Finland and collect out the portfolio. Average net receivables contracted by 34% due to the lower credit issued and this resulted in a similar reduction in revenue. Excluding Finland, the contraction in average net receivables and revenue were both significantly lower at 22%.

Good collections, the benefit of debt sales and lower levels of credit issued resulted in an impairment credit in the period and a 3.4ppt improvement in annualised impairment as a percentage of revenue to 25.2% since the year end. The tight management of costs and the benefit of the 2020 rightsizing programme resulted in an 35% reduction in costs year on year.

New markets

The new markets delivered a profit of £0.3 million in the period with a reduction in the cost base being partially offset by the impact of smaller scale and improved credit quality.

	Q1 2020 £m	Q1 2021 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	186	139	(47)	(25.3)	(25.3)
Credit issued	39.1	25.5	(13.6)	(34.8)	(34.3)

Average net receivables	143.3	84.2	(59.1)	(41.2)	(41.1)
Revenue	27.9	15.9	(12.0)	(43.0)	(43.0)
Impairment	(16.6)	(5.6)	11.0	66.3	65.9
Net revenue	11.3	10.3	(1.0)	(8.8)	(10.4)
Finance costs	(2.2)	(1.7)	0.5	22.7	22.7
Other costs	(12.5)	(8.3)	4.2	33.6	33.6
(Loss) / profit before taxation	(3.4)	0.3	3.7	108.8	

Customer numbers reduced by 25% to 139,000 and credit issued contracted by 34% year on year due to significantly tighter credit settings in Poland and Spain. Average net receivables reduced by 41% and revenue contracted at the slighter faster rate of 43% due to higher levels of claims management charges in Spain.

Credit quality continued to improve driven by tighter credit settings and good collections which, together with the lower credit issued, resulted in a 5.3ppt improvement in impairment as a percentage of revenue since the year end to 54.8%. Costs reduced by 34% year on year, driven principally by the benefits of the rightsizing exercise in 2020, lower marketing expenditure and other volume-related costs as we reduced credit issued.

Funding and balance sheet

We have a well-capitalised balance sheet, strong funding position and robust financial risk management. At 31 March 2021, the equity to receivables ratio was 54.4% (31 December 2020: 55.4%) and the gearing ratio was 1.4x (31 December 2020: 1.4x).

As at 31 March 2021 the Group had total debt facilities of £591 million (£408 million of bonds and £183 million of bank facilities) and borrowings of £480 million, with headroom on undrawn facilities and non-operational cash balances of £175 million. Total cash balances at 31 March 2021 were £103 million and include £72 million that was not required for operational purposes but is available to drive future receivables growth.

Taxation

The taxation charge on profit for the first quarter of 2021 (£11.4million) was based on an expected effective tax rate of approximately 47%.

With regard to the European Commission's State Aid challenge to the UK's Group Financing Exemption regime, following the enactment of new legislation in December 2020, HMRC issued a Charging Notice seeking payment of £14.2 million in respect of the alleged State Aid for the affected years. The payment of this amount is a procedural matter, and the new law does not allow for postponement. Accordingly, this amount was paid in February 2021 and we appealed the Charging Notice on the grounds of the quantum assessed. Whether the UK's Group Financing Exemption regime constitutes State Aid is ultimately to be decided and we continue to await a decision of the General Court of the European Union on this matter. The £14.2 million paid is held on the balance sheet as a non-current tax asset reflecting the Directors' judgement that it is more likely than not that the amount will ultimately be repaid. This judgement is based on legal advice received on the strength of technical position included IPF's annulment application. Further details are set out at note 20.

Outlook

Our business plays an essential role in society, providing credit responsibly to those who are underbanked or underserved, and there remains significant long-term demand for affordable credit from this group of consumers in all our markets. Our strategy is to build on the positive momentum

generated in the first six months of 2021 by continuing to serve our customers safely, increasing credit issued and growing the receivables portfolio while maintaining a clear focus on portfolio quality. Although the Covid-19 environment remains dynamic, we have proven the resilience of the business model and expect to continue to deliver a strong rebound in full-year profitability in 2021.

Alternative performance measures

This Consolidated Quarterly Financial Report provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide stakeholders with important additional information on our business. To support this, we have included an accounting policy note on APMs in the notes to this Consolidated Quarterly Financial Report, a glossary indicating the APMs that we use, an explanation of how they are calculated and how we use them, and a reconciliation of the APMs we use to a statutory measure, where relevant.

Financial Highlights - additional information in accordance with the Warsaw Stock Exchange listing

	£'m		PLN'm		EUR'm	
	1 Jan-31 Mar 2021 Unaudited	1 Jan-31 Mar 2020 Unaudited	1 Jan-31 Mar 2021 Unaudited	1 Jan-31 Mar 2020 Unaudited	1 Jan-31 Mar 2021 Unaudited	1 Jan-31 Mar 2020 Unaudited
Revenue	130.9	196.7	688.6	1,002.3	150.6	228.1
Profit before tax	24.0	8.4	126.3	42.8	27.6	9.7
Profit after tax	12.6	5.0	66.3	25.5	14.5	5.8
Net cash generated from operating activities	9.1	29.6	47.9	150.8	10.5	34.3
Net cash used in investing activities	(3.1)	(3.8)	(16.3)	(19.4)	(3.6)	(4.4)
Net cash (used in)/generated from financing activities	(16.5)	1.3	(86.8)	6.6	(19.0)	1.5
Net change in cash and cash equivalents	(10.5)	27.1	(55.2)	138.1	(12.1)	31.4
Earnings per share (pence)	5.7	2.3	30.0	11.7	6.6	2.7
Average number of shares (million)	222.8	222.0	222.8	222.0	222.8	222.0

	£'m		PLN'm		EUR'm	
As at	31 March 2021 Unaudited	31 December 2020 Audited	31 March 2021 Unaudited	31 December 2020 Audited	31 March 2021 Unaudited	31 December 2020 Audited
Total assets	984.6	1,023.9	5,383.7	5,255.4	1,155.1	1,149.0
Current liabilities	(144.9)	(136.0)	(792.3)	(698.0)	(170.0)	(152.6)
Non-current liabilities	(494.4)	(517.4)	(2,703.3)	(2,655.7)	(580.0)	(580.6)
Total equity	345.3	370.5	1,888.1	1,901.7	405.1	415.8
Share capital	23.4	23.4	127.9	120.1	27.5	26.3

Net assets per share	1.54	1.67	8.47	8.57	1.82	1.87
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The financial highlights have been translated into PLN and EUR as follows:

Items relating to the income statement and cash flow statement have been translated using the mean of mid rates quoted by the National Bank of Poland for the last day of each month in the period; the exchange rates calculated are:

	PLN	EUR
For 1 Jan-31 Mar 2021	5.2605	1.1504
For 1 Jan-31 Mar 2020	5.0956	1.1598

Items relating to the balance sheet have been translated using the mid rate quoted by the National Bank of Poland for the end of the reporting period; the exchange rates calculated are:

	PLN	EUR
For 31 Mar 2021	5.4679	1.1732
For 31 Dec 2020	5.1327	1.1222

	PLN	EUR
Highest rate 1 Jan-31 Mar 2021	5.4679	1.1737
Lowest rate 1 Jan-31 Mar 2021	4.9832	1.1059

Financial Statements

Consolidated income statement

	Notes	Unaudited Three months ended 31 March 2021 £m	Unaudited Three months ended 31 March 2020 £m
Revenue	3	130.9	196.7
Impairment	3	(4.6)	(60.9)
Revenue less impairment		126.3	135.8
Finance costs	4	(12.7)	(14.7)
Other operating costs	3	(26.2)	(32.5)
Administrative expenses	3	(63.4)	(80.2)
Total costs		(102.3)	(127.4)
Profit before taxation	3	24.0	8.4
Tax expense	4	(11.4)	(3.4)
Profit after taxation attributable to owners of the Company		12.6	5.0

Earnings per share - statutory

		Unaudited Three months ended 31 March 2021 pence	Unaudited Three months ended 31 March 2020 pence
	Notes		
Basic	6	5.7	2.3
Diluted	6	5.4	2.1

Consolidated statement of comprehensive income

	Unaudited Three months ended 31 March 2021 £m	Unaudited Three months ended 31 March 2020 £m
Profit after taxation attributable to owners of the Company	12.6	5.0
Other comprehensive expense		
<i>Items that may subsequently be reclassified to income statement</i>		
Exchange losses on foreign currency translations	(34.4)	(4.9)
Net fair value losses - cash flow hedges	(3.9)	(4.6)
Tax charge on items that may be reclassified	(0.2)	(0.2)
Other comprehensive expense net of taxation	(38.5)	(9.7)
Total comprehensive expense for the period attributable to owners of the Company	(25.9)	(4.7)

Consolidated balance sheet

		Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
	Notes			
Assets				
Non-current assets				
Goodwill	8	23.3	24.4	24.5
Intangible assets	9	29.5	30.2	43.8
Property, plant and equipment	10	13.8	15.4	18.5
Right-of-use assets	11	15.5	17.5	16.3
Amounts receivable from customers	13	136.2	136.5	245.3
Deferred tax assets	12	129.4	135.7	144.2
Non-current tax asset	14	14.2	-	34.0

Retirement benefit asset		4.3	3.4	3.4
		366.2	363.1	530.0
Current assets				
Amounts receivable from customers	13	498.2	532.6	673.7
Derivative financial instruments		0.4	0.5	5.6
Cash and cash equivalents		102.9	116.3	66.6
Other receivables		15.4	9.9	16.4
Current tax assets		1.5	1.5	0.1
		618.4	660.8	762.4
Total assets	3	984.6	1,023.9	1,292.4
Liabilities				
Current liabilities				
Borrowings	15	(2.3)	(0.2)	(89.4)
Derivative financial instruments		(7.5)	(6.7)	(6.8)
Trade and other payables		(90.7)	(89.1)	(123.3)
Provisions for liabilities and charges	16	(20.5)	(19.2)	-
Lease liabilities	11	(6.7)	(7.4)	(7.6)
Current tax liabilities		(17.2)	(13.4)	(27.0)
		(144.9)	(136.0)	(254.1)
Non-current liabilities				
Deferred tax liabilities		(13.9)	(13.8)	(20.0)
Lease liabilities	11	(10.3)	(11.8)	(9.5)
Borrowings	15	(470.2)	(491.8)	(574.8)
		(494.4)	(517.4)	(604.3)
Total liabilities	3	(639.3)	(653.4)	(858.4)
Net assets		345.3	370.5	434.0
Equity attributable to owners of the Company				
Called-up share capital		23.4	23.4	23.4
Other reserve		(22.5)	(22.5)	(22.5)
Foreign exchange reserve		(29.4)	5.0	4.2
Hedging reserve		(3.2)	0.9	(4.9)
Own shares		(44.8)	(45.2)	(46.1)
Capital redemption reserve		2.3	2.3	2.3
Retained earnings		419.5	406.6	477.6
Total equity		345.3	370.5	434.0

Consolidated statement of changes in equity

	Unaudited				
	Called-up share capital £m	Other reserve £m	*Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020	23.4	(22.5)	(34.8)	470.3	436.4
<i>Comprehensive income/(expense)</i>					
Profit after taxation for the period	-	-	-	5.0	5.0
<i>Other comprehensive expense</i>					
Exchange losses on foreign currency translation (note 19)	-	-	(4.9)	-	(4.9)

Net fair value losses - cash flow hedges	-	-	(4.8)	-	(4.8)
Total other comprehensive expense	-	-	(9.7)	-	(9.7)
Total comprehensive (expense)/income for the period	-	-	(9.7)	5.0	(4.7)
<i>Transactions with owners</i>					
Share-based payment adjustment to reserves	-	-	-	2.3	2.3
At 31 March 2020	23.4	(22.5)	(44.5)	477.6	434.0
Audited					
At 1 January 2020	23.4	(22.5)	(34.8)	470.3	436.4
<i>Comprehensive (expense)/income</i>					
Loss after taxation for the period	-	-	-	(64.2)	(64.2)
<i>Other comprehensive (expense)/income</i>					
Exchange losses on foreign currency translation (note 19)	-	-	(4.1)	-	(4.1)
Net fair value gains - cash flow hedges	-	-	1.3	-	1.3
Actuarial losses on retirement benefit asset	-	-	-	(1.4)	(1.4)
Tax (charge)/credit on other comprehensive income	-	-	(0.3)	0.3	-
Total other comprehensive expense	-	-	(3.1)	(1.1)	(4.2)
Total comprehensive expense for the period	-	-	(3.1)	(65.3)	(68.4)
<i>Transactions with owners</i>					
Share-based payment adjustment to reserves	-	-	-	2.5	2.5
Shares granted from treasury and employee trust	-	-	0.9	(0.9)	-
At 31 December 2020	23.4	(22.5)	(37.0)	406.6	370.5

Unaudited					
	Called-up share capital £m	Other reserve £m	*Other reserves £m	Retained earnings £m	Total equity £m
At 1 January 2021	23.4	(22.5)	(37.0)	406.6	370.5
<i>Comprehensive income/(expense)</i>					
Profit after taxation for the period	-	-	-	12.6	12.6
<i>Other comprehensive expense</i>					
Exchange losses on foreign currency translation (note 19)	-	-	(34.4)	-	(34.4)
Net fair value losses - cash flow hedges	-	-	(4.1)	-	(4.1)
Total other comprehensive expense	-	-	(38.5)	-	(38.5)

Total comprehensive (expense)/income for the period	-	-	(38.5)	12.6	(25.9)
<i>Transactions with owners</i>					
Share-based payment adjustment to reserves	-	-	-	0.7	0.7
Shares granted from treasury and employee trust	-	-	0.4	(0.4)	-
At 31 March 2021	23.4	(22.5)	(75.1)	419.5	345.3

* Includes foreign exchange reserve, hedging reserve, own shares and capital redemption reserve.

Consolidated cash flow statement

	Notes	Unaudited Three months ended 31 March 2021 £m	Unaudited Three months ended 31 March 2020 £m
Cash flows from operating activities			
Cash generated from operating activities	18	35.8	44.7
Finance costs paid		(4.7)	(6.1)
Income tax paid		(22.0)	(9.0)
Net cash generated from operating activities		9.1	29.6
Cash flows used in investing activities			
Purchases of intangible assets	9	(2.7)	(3.0)
Purchases of property, plant and equipment	10	(0.5)	(0.9)
Proceeds from sale of property, plant and equipment		0.1	0.1
Net cash used in investing activities		(3.1)	(3.8)
Net cash generated from operating and investing activities		6.0	25.8
Cash flows from financing activities			
Proceeds from borrowings		4.6	21.7
Repayment of borrowings		(18.5)	(17.5)
Principal elements of lease payments	11	(2.6)	(2.9)
Net cash (used in)/generated from financing activities		(16.5)	1.3
Net (decrease)/increase in cash and cash equivalents		(10.5)	27.1
Cash and cash equivalents at beginning of period		116.3	37.4
Exchange (losses)/gains on cash and cash equivalents		(2.9)	2.1
Cash and cash equivalents at end of period		102.9	66.6

Notes to the Financial Statements

1. Basis of preparation

These unaudited condensed consolidated interim financial statements for the three months ended 31 March 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom. These condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Financial Statements ('the Financial Statements') for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. These condensed consolidated interim financial statements were approved for release on 27 July 2021.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Financial Statements for the year ended 31 December 2020 were approved by the Board on 3 March 2021 and delivered to the Registrar of Companies. The Financial Statements contained an unqualified audit report and did not include an emphasis of matter paragraph or any statement under Section 498 of the Companies Act 2006. The Financial Statements are available on the Group's website (www.ipfin.co.uk).

The accounting policies applied to prepare these condensed consolidated interim financial statements are consistent with those applied to the most recent full year Financial Statements for the year ended 31 December 2020.

Board members

As at 31 March 2021, the Group's Board members were as follows:

Stuart Sinclair	Chairman
Gerard Ryan	Executive Director and Chief Executive Officer
Justin Lockwood ¹	Executive Director and Chief Financial Officer
Deborah Davis	Independent non-executive director
Richard Moat ²	Senior independent non-executive director
John Mangelaars	Independent non-executive director
Richard Holmes ³	Independent non-executive director
Cathryn Riley ⁴	Independent non-executive director
Bronwyn Syiek	Independent non-executive director

¹ Justin Lockwood resigned from the Board on 23 July 2021

² Richard Moat resigned from the Board on 29 April 2021

³ Richard Holmes was appointed Senior independent non-executive director on 29 April 2021

⁴ Cathryn Riley resigned from the Board on 29 April 2021

Subsidiaries included in the condensed consolidated interim financial statements

The subsidiary companies of IPF plc, which are 100% owned by the Group and included in these condensed consolidated interim 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 Česká republika s.r.o	Czech Republic	Non-trading
IPF Development (2003) Limited	United Kingdom	Provision of services
IPF Digital AS	Estonia	Provision of services
IPF Digital Australia Pty Limited	Australia	Digital credit
IPF Digital Finland Oy	Finland	Digital credit
IPF Digital Group Limited	United Kingdom	Holding company
IPF Digital Latvia, SIA	Latvia	Digital credit
IPF Digital Lietuva, UAB	Lithuania	Digital credit
IPF Digital Mexico S.A de C.V	Mexico	Digital credit
IPF Financial Services Limited	United Kingdom	Provision of services
IPF Financing Limited	United Kingdom	Provision of services
IPF Guernsey (2) Limited	Guernsey	Dormant
IPF Holdings Limited	United Kingdom	Holding company
IPF International Limited	United Kingdom	Provision of services
IPF Investments Polska sp. z o.o.	Poland	Provision of services
IPF Management	Ireland	Provision of services
IPF Nordic Limited	United Kingdom	Provision of services
IPF Polska sp. z o.o.	Poland	Digital credit
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, Number Three, Leeds City Office Park, Meadow Lane, Leeds, LS11 5BD.

Going Concern

In considering whether the Group is a going concern, the Board has taken into account the Group's financial forecasts, its principal risks (with particular reference to regulatory risks), and the expected trajectory of recovery from the Covid-19 pandemic. The forecasts have been prepared for the three years to 31 December 2023 and include projected profit and loss, balance sheet, cashflows, borrowings, headroom against debt facilities and funding requirements. These forecasts represent the best estimate of the expected recovery from the impact that Covid-19 had on the Group's businesses, and in particular the evolution of credit issuance and collection cash flows.

The financial forecasts have been stress tested in a range of downside scenarios to assess the impact on future profitability, funding requirements and covenant compliance. The scenarios reflect the crystallisation of the Group's principal risks (with particular reference to regulatory risks) and evaluate the impact of a more challenging recovery from the impact of the Covid-19 pandemic than assumed in the business plan. Consideration has also been given to multiple risks crystallising

concurrently and the availability of mitigating actions that could be taken to reduce the impact of the identified risks. In addition, we examined a reverse stress test on the financial forecasts to assess the extent to which a recession would need to impact our operational performance in order to breach a covenant. This showed that net revenue would need to deteriorate significantly from the financial forecast and the Directors have a reasonable expectation that it is unlikely to deteriorate to this extent.

At 31 March 2021, the Group had £175 million of non-operational cash and headroom against its debt facilities (comprising a range of bonds and bank facilities), which have a weighted average maturity of 3.2 years. The total debt facilities as at 31 March 2021 amounted to £591 million of which £91 million (including £39 million which is uncommitted) is due for renewal over the following 12 months. A combination of these debt facilities, the embedded business flexibility in respect of cash generation and a successful track record of accessing funding from debt capital markets over a long period (including periods with challenging macroeconomic conditions and a changing regulatory environment), are expected to meet the Group's funding requirements for the foreseeable future (12 months from the date of approval of this report). Taking these factors into account, together with regulatory risks set out on page 51 of the 2020 Annual Report and Financial Statements, 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 Consolidated Quarterly Financial Report for the period ended 31 March 2021.

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.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated interim 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 these condensed consolidated interim 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.

Amounts receivable from customers

The Group reviews its portfolio of customer loans and receivables for impairment on a weekly or monthly basis. The Group reviews the most recent collections performance to determine whether there is objective evidence which indicates that there has been an adverse effect on expected future cash flows. For the purposes of assessing the impairment of customer loans and receivables, customers are categorised into stages based on days past due as this is considered to be the most reliable predictor of future payment performance. The level of impairment is calculated using historical payment performance to generate both the estimated expected loss and also the timing of future cash flows for each agreement. The expected loss is calculated using probability of default ('PD') and loss given default ('LGD') parameters.

The application of IFRS 9 to the effects of Covid-19 had a significant impact on the Group's impairment accounting and charge, and our post model overlays (PMOs) have been prepared to ensure that the impacts of the pandemic are included within the Group's impairment provisions, see below for further details. Impairment on lending from June 2020 onwards has been recorded using our standard impairment accounting models without applying these overlays due to the reduction in operational disruption and the tightened credit settings on new lending.

Impairment models are monitored regularly to test their continued capability to predict the timing and quantum of customer repayments in the context of the recent customer payment performance. The models used typically have a strong predictive capability reflecting the relatively stable nature of the business and therefore the actual performance does not usually vary significantly from the estimated performance. The models are ordinarily updated at least twice per year. The last update took place in 2020 and data that would normally be included within this periodic update contained Covid-19 data. This included data from when there were restrictions on movements of agents and customers together with data driven by the tighter credit settings that were put in place as part of the Group's pandemic response strategy. This data is not considered to be representative of the expected future performance and therefore we excluded it from our periodic update. There were no periodic updates in Q1 2021 (Q1 2020: no periodic updates).

On the basis that the payment performance of customers could be different from the assumptions used in estimating expected losses and the future cash flows, an adjustment to the amounts receivable from customers may be required. A 5% increase/decrease in expected loss parameters would be a decrease/increase in amounts receivable from customers of £4.1 million. This level of estimated impact is based on historic fluctuations in performance compared to the models and is subject to impairment overlay provisions.

Covid-19 post model overlay (PMO) on amounts receivable from customers

In 2020 Government imposed restrictions on the freedom of movement and the introduction of debt repayment moratoria, together with the economic impact of the pandemic on our customers, had a significant adverse impact on collection cash flows in all our businesses. These events were

unprecedented and, as a consequence, we reviewed our impairment modelling under IFRS 9 to identify risks that are not fully reflected in the standard impairment models. This included a full assessment of expected credit losses, including a forward-looking assessment of expected collection cash flows. As a result, for home credit lending issued before June 2020 and IPF Digital lending, we have prepared post model overlays (PMOs) to our impairment models in order to calculate the expected impact of the pandemic on the Group's impairment provisions. Based on management's current expectations, the impact of these PMOs was to increase impairment provisions at 31 March 2021 by £29.8 million as set out below.

	ECL £m	Discounting £m	Total £m
Home credit	(15.5)	(9.1)	(24.6)
IPF Digital	(5.2)	-	(5.2)
Total	(20.7)	(9.1)	(29.8)

Expected credit loss ('ECL')

Missed collections as a result of government imposed restrictions on the freedom of movement and the introduction of debt repayment moratoria is not considered to be an indicator of a significant increase in credit risk (SICR). However, our impairment models cannot distinguish between a missed payment arising from these factors and a missed payment arising from a customer not making a payment. Therefore, we have reduced the modelled ECL based on historic customer roll rates before calculating the increase in ECL arising from the pandemic. This latter assessment is based on estimated future repayment patterns on a market by market basis, taking into account operational disruption, debt repayment moratoria and the expected recessionary impact. We then assessed the extent to which the reduction in cash flows is likely to be permanent or temporary. In Q1 2021 the collections performance was better than expected and we have adjusted the PMO to reflect this, however a significant amount of risk related to increased ECL remains. The estimated permanent difference in cashflows has been recorded as an increase of £15.5 million in ECL in the Group's home credit businesses as a Covid-19 PMO.

In our digital businesses, in line with our home credit markets, we have reviewed the expected recessionary impact of the pandemic on our customers' debt repayment capacity. We used this information to calculate the increased probability of customers defaulting. The estimated increase in PD has been included as a £5.2 million Covid-19 PMO.

Discounting

We expect temporary missed repayments in our home credit businesses to be repaid at the end of the credit agreement, rather than at the point when agent service is resumed. The charges for lending are largely fixed and therefore these delayed cash flows have been discounted using the effective interest rate to arrive at a net present value. This results in an additional impairment provision of £9.1 million that is expected to continue to unwind during the remainder of 2021 as the temporary missed collections are collected from customers.

We have performed analysis on the ECL and discounting Covid-19 PMOs to show the estimated variation to amounts receivable from customers as a result of the key variables influencing ECL (namely operational disruption, repayment moratoria and recessionary) being different to management's current expectations based on the following collection scenarios:

- ECL - variations in the key variables resulting in a 3% increase/decrease in the ECL would result in an increase/decrease in the Covid-19 PMO of £7.6 million.
- Discounting - temporary missed repayments in home credit, that are assumed to be repaid at the end of the loan, being received three months later/earlier than forecast would result in an increase/decrease in the Covid-19 PMO of £5.9 million.

These variations reflect management's current assessment of a reasonable range of outcomes from the actual collections performance.

Polish early settlement rebates

As previously reported, a comprehensive review is being conducted by UOKiK, the Polish competition and consumer protection authority, of rebating practices by banks and other consumer credit providers on early loan settlement, including those of the Group's Polish businesses. We reviewed the likelihood of the resolution of this matter resulting in higher early settlement rebates being payable to customers that settled their agreements early before the balance sheet date. A number of risks and uncertainties remain, in particular with respect to future claims volumes relating to historic rebates paid from a customer contact exercise. The total amount provided of £18.9 million (31 March 2020: £5.5 million) represents the Group's best estimate of the likely future cost of increasing historic customer rebates. Whilst the volume of claims could differ from the estimates, the Group's expectation at this stage is that claims rates are unlikely to be more than 25% higher than the assumed rate.

Claims management charges in Spain

The operational review section of this report in relation to IPF Digital's New markets (above) makes reference to revenue contraction resulting from higher levels of claims management charges in Spain. We reviewed the charges by reference to the claims incidence experience and average cost of resolution in the Spanish business. The provision recorded of £7.7 million (split £7.2 million against receivables and £1.5 million in provisions) represent the Group's best estimate of future claims volumes and the cost of their management, based on current claims management methodology, together with current and future product plans. Whilst the future claims incidence and cost of management could differ from estimates, the Group's expectation at this stage is that overall costs are unlikely to be more than 25% higher than those assumed in the charges.

Tax

Estimations must be exercised in the calculation of the Group's tax provision, in particular with regard to the existence and extent of tax risks. This exercise of estimation with regards to the EU State Aid investigation, which is disclosed in note 20, could have a significant effect on the Financial Statements, as there are significant uncertainties in relation to the amount and timing of associated cash flows.

Deferred tax assets arise from timing differences between the accounting and tax treatment of revenue and impairment transactions and tax losses. Estimations must be made regarding the extent to which timing differences reverse and an assessment must be made of the extent to which future profits will be generated to absorb tax losses. A shortfall in profitability compared to current expectations may result in future adjustments to deferred tax asset balances

Critical accounting judgements

Accounting judgements have been made over whether the EU State Aid investigation requires a provision or disclosure as a contingent liability, see note 20 for further details.

There are no new standards adopted by the Group in 2021, and there are no new standards not yet effective and not adopted by the Group from 1 January 2021 which are expected to have a material impact on the Group.

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.

Each of the APMs used by the Group is set out below 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.

2. Related parties

The Group has not entered into any material transactions with related parties in the first three months of the year.

3. Segment analysis

As highlighted at the 2020 year end, we merged our two digital businesses in Poland in order to deliver efficiencies of scale and, as a result, the digital lending arm previously reported as part of European home credit is now included in IPF Digital. All comparatives have been amended accordingly and are presented on a like-for-like basis.

	Unaudited Three months ended 31 March 2021 £m	Unaudited Three months ended 31 March 2020 £m
Revenue		
European home credit	70.9	97.9
Mexico home credit	30.8	51.5
Digital	29.2	47.3
Revenue	130.9	196.7
Impairment		
European home credit	(2.6)	24.5
Mexico home credit	1.7	16.0
Digital	5.5	20.4
Impairment	4.6	60.9
Other operating costs		
European home credit	15.7	17.0
Mexico home credit	6.5	8.2

Digital	4.0	6.9
UK costs ¹	-	0.4
Other operating costs	26.2	32.5
Administrative expenses		
European home credit	32.7	42.7
Mexico home credit	16.4	21.0
Digital	11.1	14.0
UK costs ¹	3.2	2.5
Administrative expenses	63.4	80.2
Profit before taxation		
European home credit	17.4	7.0
Mexico home credit	4.9	3.7
Digital	4.9	0.6
UK costs ¹	(3.2)	(2.9)
Profit before taxation	24.0	8.4

¹ Although UK costs are not classified as a separate segment in accordance with IFRS 8 'Operating Segments', they are shown separately in order to provide a reconciliation to other operating costs; administrative expenses and profit before taxation.

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Segment assets			
European home credit	470.0	485.1	659.3
Mexico home credit	169.2	170.2	195.7
Digital	208.6	224.4	345.1
UK ²	136.8	144.2	92.3
Total	984.6	1,023.9	1,292.4
Segment liabilities			
European home credit	273.1	275.7	261.6
Mexico home credit	79.3	76.2	120.3
Digital	106.3	138.4	221.8
UK ²	180.6	163.1	252.3
Total	639.3	653.4	856.0

² Although the UK is not classified as a separate segment in accordance with IFRS 8 'Operating Segments', it is shown separately above in order to provide a reconciliation to consolidated total assets and liabilities.

4. Finance costs

	Unaudited Three months ended 31 March 2021 £m	Unaudited Three months ended 31 March 2020 £m
Interest payable on borrowings	12.3	14.4
Interest payable on lease liabilities	0.4	0.3
Finance costs	12.7	14.7

5. Tax expense

The taxation charge on the profit for the first three months of 2021 (£11.4 million) has been based on an expected effective tax rate for 2021 of 47%.

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

6. Earnings per share

	Unaudited Three months ended 31 March 2021 pence	Unaudited Three months ended 31 March 2020 pence
Basic EPS	5.7	2.3
Dilutive effect of awards	(0.3)	(0.2)
Diluted EPS	5.4	2.1

Basic earnings per share ('EPS') is calculated by dividing the profit attributable to shareholders of £12.6 million (31 March 2020: profit of £5.0 million) by the weighted average number of shares in issue during the period of 222.8 million which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (31 March 2020: 222.0 million).

For diluted EPS the weighted average number of shares has been adjusted to 235.1 million (31 March 2020: 234.0 million) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

7. Dividends

No dividend was declared or paid in Q1 2021 (Q1 2020: no dividend declared or paid).

8. Goodwill

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Net book value at start of period	24.4	23.1	23.1
Exchange adjustments	(1.1)	1.3	1.4
Net book value at end of period	23.3	24.4	24.5

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and cash flows assumed. We adopt discount rates which reflect the time value of money and the risks specific to the legacy MCB business. The cash flow forecasts are based on the most recent financial forecasts which includes our best estimates of the impact of Covid-19 and include the decision to collect out the Finnish business. The rate used to discount the forecast cash flows is 10% (31 December 2020: 10%; 31 March 2020: 10%). The discount rate would need to increase to 20% before indicating that part of the goodwill may be impaired.

9. Intangible assets

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Net book value at start of period	30.2	43.2	43.2
Additions	2.7	11.7	3.0
Amortisation	(2.8)	(25.9)	(3.8)
Exchange adjustments	(0.6)	1.2	1.4
Net book value at end of period	29.5	30.2	43.8

Intangible assets comprise computer software.

10. Property, plant and equipment

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Net book value at start of period	15.4	20.0	20.0
Exchange adjustments	(0.6)	(0.6)	(0.6)
Additions	0.5	3.8	0.9
Disposals	(0.1)	(0.6)	(0.1)
Depreciation	(1.4)	(7.2)	(1.7)
Net book value at end of period	13.8	15.4	18.5

There are no significant additions or disposals in the period and no liabilities arising therefrom (Q1 2020 and full year 2020: no significant additions or disposals and no liabilities arising therefrom).

As at 31 March 2021 the Group had £2.7 million of capital expenditure commitments with third parties that were not provided for (31 March 2020: £1.8 million, 31 December 2020: £2.6 million).

11. Right-of-use assets and lease liabilities

The recognised right-of-use assets relate to the following types of assets:

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Properties	9.3	10.5	10.5
Motor vehicles	6.1	6.9	5.7
Equipment	0.1	0.1	0.1
Total right-of-use assets	15.5	17.5	16.3

The movement in the right-of-use assets in the period is as follows:

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Net book value at start of period	17.5	18.8	18.8
Exchange adjustments	(0.8)	(0.5)	(1.0)
Additions	0.3	6.0	1.2
Modifications	0.6	3.6	-
Impairment	-	(0.5)	-
Depreciation	(2.1)	(9.9)	(2.7)
Net book value at end of period	15.5	17.5	16.3

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

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Lease liabilities at start of period	19.2	19.5	19.5
Exchange adjustments	(0.9)	(0.5)	(1.0)
Additions	0.9	9.6	1.2
Interest	0.4	1.5	0.3
Lease payments	(2.6)	(10.9)	(2.9)
Lease liabilities at end of period	17.0	19.2	(17.1)

Analysed as:

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Current	6.7	7.4	7.6
Non-Current:			
- between one and five years	9.9	11.1	9.4
- greater than five years	0.4	0.7	0.1
	10.3	11.8	9.5
Lease liabilities at end of period	17.0	19.2	17.1

12. Deferred tax assets

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.

13. Amounts receivable from customers

Amounts receivable from customers comprise:

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Amounts due within one year	498.2	532.6	673.7
Amounts due in more than one year	136.2	136.5	245.3
Total receivables	634.4	669.1	919.0

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:

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Polish zloty	213.4	225.3	318.0
Czech crown	45.4	50.9	63.6
Euro*	99.4	117.0	180.7
Hungarian forint	87.6	89.9	130.1
Romanian leu	63.1	62.1	71.1
Mexican peso	100.8	100.8	132.4
Australian dollar	24.7	23.1	23.1
Total receivables	634.4	669.1	919.0

*Includes receivables in Estonia, Finland, Latvia, Lithuania and Spain.

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average effective interest rate ('EIR') of 94% (31 December 2020: 96%; 31 March 2020: 103%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 11.7 months (31 December 2020: 11.1 months; 31 March 2020: 13.2 months).

Determining an increase in credit risk since initial recognition

IFRS 9 requires the recognition of 12 month expected credit losses (the expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1) and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3).

When determining whether the risk of default has increased significantly since initial recognition the Group considers both quantitative and qualitative information based on the Group's historical experience.

The approach to identifying significant increases in credit risk is consistent across the Group's products. In addition, as a backstop, the Group considers that a significant increase in credit risk occurs when an asset is more than 30 days past due.

Financial instruments are moved back to stage 1 once they no longer meet the criteria for a significant increase in credit risk.

Definition of default and credit impaired assets

The Group defines a financial instrument as in default, which is fully-aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria: the customer is more than 90 days past due on their contractual payments in home credit and 60 days past due on their contractual payments in IPF Digital;
- Qualitative criteria: indication that there is a measurable movement in the estimated future cash flows from a group of financial assets. For example, if prospective legislative changes are considered to impact the collections performance of customers.

The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the Group's expected credit loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria.

As highlighted at the 2020 year end, we merged our two digital businesses in Poland in order to deliver efficiencies of scale and, as a result, the digital lending arm previously reported as part of European home credit is now included in IPF Digital. All comparatives have been amended accordingly and are presented on a like-for-like basis.

The breakdown of receivables by stage is as follows:

31 March 2021	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Home credit	288.4	47.5	129.5	465.4
IPF Digital	157.1	8.3	3.6	169.0
Group	445.5	55.8	133.1	634.4

31 December 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Home credit	288.6	51.0	142.6	482.2
IPF Digital	177.9	7.1	1.9	186.9
Group	466.5	58.1	144.5	669.1

31 March 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Home credit	368.5	94.4	177.7	640.6
IPF Digital	257.8	18.4	2.2	278.4
Group	626.3	112.8	179.9	919.0

The Group has one class of loan receivable and no collateral is held in respect of any customer receivables.

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.

31 March 2021	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Gross carrying amount	569.6	103.7	421.7	1,095.0
Loss allowance	(124.1)	(47.9)	(288.6)	(460.6)
Group	445.5	55.8	133.1	634.4

31 December 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Gross carrying amount	601.3	125.1	456.1	1,182.5
Loss allowance	(134.8)	(67.0)	(311.6)	(513.4)
Group	466.5	58.1	144.5	669.1

31 March 2020	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net receivables £m
Gross carrying amount	756.1	207.0	455.0	1,418.1
Loss allowance	(129.8)	(94.2)	(275.1)	(499.1)
Group	626.3	112.8	179.9	919.0

14. Non-current tax asset

As at 31 March 2021, the non-current tax asset included an amount of £14.2 million that was paid pursuant to a HMRC Charging Notice in respect of an European Commission State Aid investigation into the Group Financing Exemption contained in the UK's controlled foreign company rules. Details are set out at note 20.

As at 31 March 2020, the non-current tax asset included an amount of £34.0 million in respect of the tax paid to the Polish Tax Authority (31 March 2021 and December 2020: £nil). Our appeal against the Polish Tax Chamber's decisions for 2008 and 2009 was heard in the Warsaw District Administrative Court in March 2020 and the court found in our favour. The Court formally confirmed that the decision was final and we received repayment of the tax that was paid in January 2017 together with interest up to the repayment date in August 2020.

15. Borrowing facilities and borrowings

The maturity of the Group's bond and bank borrowings is as follows:

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Repayable			
- in less than one year	2.3	0.2	89.4
- between one and two years	60.3	74.3	376.7
- between two and five years	409.9	417.5	198.1
	470.2	491.8	574.8
Total borrowings	472.5	492.0	664.2

Borrowings is stated net of unamortised arrangement fees and issue discount of £7.0 million (31 March 2020: £2.4 million; 31 December 2020: £7.4 million).

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

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Repayable			
- on demand	38.8	40.1	23.6

- in less than one year	52.6	45.7	151.5
- between one and two years	69.4	104.4	450.4
- between two and five years	430.4	433.8	238.0
Total facilities	591.2	624.0	863.5

The undrawn external bank facilities is as follows:

	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Expiring within one year	89.1	85.6	85.7
Expiring between one and two years	9.1	30.1	73.7
Expiring in more than two years	20.5	8.9	39.9
Total	118.7	124.6	199.3

Undrawn external facilities above does not include unamortised arrangement fees and issue discount.

The average period to maturity of the Group's external bonds and committed external borrowings is 3.2 years (31 March 2020: 1.5 years; 31 December 2020: 3.3 years).

During 2020 and 2021 the Group did not have any delays in the principal and interest payments. The Group tests against covenants twice a year at June and December, and complied with all of its covenants at 31 December 2020.

In Q1 2021 there were no bond issuances or redemptions (Q1 2020: no bond issuances or redemptions).

16. 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 £20.5 million represent the Group's best estimate of the costs that are expected to be incurred in relation to early settlement rebates in Poland (31 March 2021: £18.9 million; 31 December 2020: £17.6 million; 31 March 2020: £5.5 million included within trade and other payables) and claims management charges incurred in Spain (31 March 2021: £1.5 million; 31 December 2020: £1.6 million; 31 March 2020: £nil). All claims are expected to be settled within 12 months of the balance sheet date. Further details are included above.

17. Fair values of financial assets and liabilities

IFRS 13 requires disclosure of fair value measurements of 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).

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 the relevant period end.

In 2020 and 2021, there has been no change in classification of financial assets as a result of a change in purpose or use of these assets.

Except as detailed in the following table, the carrying value of financial assets and liabilities recorded at amortised cost, which are all short-term in nature, are a reasonable approximation of their fair value:

	Carrying value			Fair value		
	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m	Unaudited 31 March 2021 £m	Audited 31 December 2020 £m	Unaudited 31 March 2020 £m
Financial asset:						
Amounts receivable from customers	634.4	669.1	919.0	845.2	908.8	1,230.0
	634.4	669.1	919.0	845.2	908.8	1,230.0
Financial Liabilities						
Bonds	400.8	415.9	560.6	410.8	405.4	383.3
Bank borrowings	71.7	76.1	103.6	71.7	76.1	103.6
	472.5	492.0	664.2	482.5	481.5	486.9

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (as used to calculate the carrying value of amounts due from customers), net of agent collection costs, at the Group's weighted average cost of capital which we estimate to be 10% (31 March 2020 and 31 March 2020: 10%) which is assumed to be a proxy for the discount rate that a market participant would use to price the asset.

The fair value of the bonds has been calculated by reference to their market value.

The carrying value of bank borrowings is deemed to be a good approximation of their fair value. Bank borrowings can be repaid within six months if the Group decides not to roll over for further periods up to the contractual repayment date. The impact of discounting would therefore, be negligible.

This methodology has been used consistently for all periods.

18. Reconciliation of profit after taxation to cash generated from operating activities

Unaudited Three months ended	Unaudited Three months ended
---------------------------------------	---------------------------------------

	31 March 2021 £m	31 March 2020 £m
Profit after taxation	12.6	5.0
<i>Adjusted for</i>		
Tax charge	11.4	3.4
Finance costs	12.7	14.7
Share-based payment charge	0.7	0.9
Amortisation of intangible assets (note 9)	2.8	3.8
Depreciation of property, plant and equipment (note 10)	1.4	1.7
Depreciation of right-of-use assets (note 11)	2.1	2.7
Short term and low value lease costs	0.3	0.7
<i>Changes in operating assets and liabilities</i>		
Amounts receivable from customers	1.7	33.5
Other receivables	(5.8)	0.9
Trade and other payables	(1.5)	(3.3)
Provision for liabilities and charges	1.3	-
Retirement benefit asset	(0.9)	-
Derivative financial instruments	(3.0)	(19.3)
Cash generated from operating activities	35.8	44.7

19. Foreign exchange rates

The table below shows the average exchange rates for the relevant reporting periods and closing exchange rates at the relevant period ends.

	Average Q1 2021	Closing March 2021	Average Q1 2020	Closing March 2020	Average Year 2020	Closing December 2020
Polish zloty	5.2	5.4	5.0	5.1	5.0	5.1
Czech crown	29.7	30.5	29.7	30.6	30.1	29.3
Euro	1.1	1.2	1.2	1.1	1.1	1.1
Hungarian forint	405.0	423.8	392.1	398.1	399.0	405.7
Romanian leu	5.6	5.7	5.6	5.4	5.5	5.4
Mexican peso	28.2	28.3	25.9	29.0	28.3	27.1
Australian dollar	1.8	1.8	1.9	2.0	1.8	1.8

Closing rates are used to translate the balance sheets, and average rates to translate income statement and cash flow statement items.

The £34.4 million exchange loss on foreign currency translations shown within the consolidated statement of comprehensive income arises on retranslation of net assets denominated in currencies other than sterling, due to the change in foreign exchange rates against sterling between December 2020 and March 2021 shown in the table above.

20. Contingent Liability Note

State Aid investigation

In late 2017 the European Commission (EC) opened a State Aid investigation into the Group Financing Exemption contained in the UK's controlled foreign company rules, which were introduced in 2013. In April 2019 the EC announced its finding that the Group Financing Exemption is partially incompatible with EU State Aid rules. In common with other UK-based international companies whose intra-group finance arrangements are in line with the UK's controlled foreign company rules, the Group is affected by this decision. On 12 February 2021 HMRC issued a Charging Notice, following the introduction of new legislation in December 2020 empowering HMRC to issue such Notices in order to collect alleged unlawful State Aid. The Charging Notice requires a payment of £14.2 million with respect to accounting periods ended 2013 to 2018, which was paid in February 2021, with a further amount of interest estimated at c. £1.3 million payable which is expected to be payable during H2 2021. The payment of this amount is a procedural matter, and the new law does not allow for postponement. The company has appealed the Charging Notice on the grounds of the quantum assessed.

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

As a separate issue, HMRC has initiated a review of the Group's finance company's compliance with certain conditions under the UK domestic tax rules to confirm whether the company is eligible for the benefits of the Group Financing Exemption which it has claimed in its historic tax returns. IPF believes that all conditions have been complied with and have sought legal advice with regard to the interpretation of the relevant legislative condition. The legal advice has confirmed IPF's view and assessed that, in the event that HMRC were to take the matter to Tribunal, it is more likely than not that the company would succeed in defending its position. In the unexpected event that HMRC were to conclude that the company is not in compliance with the conditions and to pursue the matter in Tribunal, and won, the amount at stake for years up to and including 2018 is £7.3 million. This domestic tax issue and the State Aid issue are mutually exclusive, and the UK legislation implemented in December 2020 and referred to above includes provisions to ensure no double charge to tax arises. It is of note that currently HMRC have simply asked for information and no challenge has been made to the company's filing position.

21. Post Balance Sheet Events

In Q2 2021, it was announced that the debt moratorium in Hungary, which was due to end in June 2021, will be extended to September 2021. As a result we expect temporary missed repayments in this market to be repaid later and therefore the discounting impairment provision to be greater. Due to the timing of the announcement of the extension, this increased impairment provision was not included within Q1 2021.

22. Additional information required in accordance with the Warsaw stock exchange listing

Directors shareholdings and share interests

The table below presents the holdings of Company shares or options on Company shares of the directors of the Company as at the date of signing the year end Financial Statements (3 March 2021).

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
Executive Directors						
Gerard Ryan	1,256,576	910,850	350,360	20,930	61,118	103,157
Justin Lockwood ¹	89,922	490,316	188,552	20,930	31,467	71,114
Non-executive Directors						
Deborah Davis	45,000	-	-	-	-	-
Richard Holmes	275,133	-	-	-	-	-
John Mangelaars	50,000	-	-	-	-	-
Richard Moat ²	15,000	-	-	-	-	-
Cathryn Riley ³	14,795	-	-	-	-	-
Stuart Sinclair	86,944	-	-	-	-	-
Bronwyn Syiek	20,000	-	-	-	-	-

¹ Justin Lockwood resigned from the Board on 23 July 2021

² Richard Moat resigned from the Board on 29 April 2021

³ Cathryn Riley resigned from the Board on 29 April 2021

On 16 April 2021, Gerard Ryan acquired 140,697 shares following the exercise of share options under the Company Deferred Share Plan and Performance Share Plan.

The table below presents the holdings of Company shares or options on Company shares of the directors of the Company as at the date of issue of this report.

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
Executive Directors						
Gerard Ryan	1,397,273	1,312,873	248,318	20,930	-	-
Non-executive Directors						
Deborah Davis	45,000	-	-	-	-	-
Richard Holmes	275,133	-	-	-	-	-
John Mangelaars	50,000	-	-	-	-	-
Stuart Sinclair	86,944	-	-	-	-	-
Bronwyn Syiek	20,000	-	-	-	-	-

Shareholding structure

The information provided below was correct at the date of notification, however, the date of receipt may not have been in the current financial period. 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.

As notified to the Company, pursuant to DTR 5.1.2, the table below presents the shareholders holding more than 5% of the total number of shares/voting rights of the Company as at the date of signing the year end Financial Statements. ie. 3 March 2021.

Shareholder	Number of shares/voting rights	% of issued share capital/total voting rights ¹
Aberforth Partners LLP	29,306,786	13.10
Standard Life Aberdeen plc	26,857,976	12.00
Marathon Asset Management LLP	22,220,369	9.93
FMR LLC	11,222,609	5.28
Artemis Investment Management LLP	11,452,288	5.11
Schroders plc	12,017,299	5.01

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

Notifications were received from Aberforth Partners LLP on 12 March 2021 and from Artemis Investment Management LLP on 6 April 2021 of an interest in the issued share capital of the Company in accordance with the DTR.

As notified to the Company, pursuant to DTR 5.1.2, the table below presents the shareholders holding more than 5% of the total number of shares/voting rights of the Company as at the date of issue of this report.

Shareholder	Number of shares/voting rights	% of issued share capital/total voting rights ¹
Aberforth Partners LLP	31,544,397	14.10
Standard Life Aberdeen plc	26,857,976	12.00
Marathon Asset Management LLP	22,220,369	9.93
FMR LLC	11,222,609	5.28
Schroders plc	12,017,299	5.01

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

Seasonality or cyclical of the business

The Group's operations are not subject to seasonal or cyclical fluctuations.

Information about loan sureties or guarantees extended by the Group

In Q1 2021 (and Q1 2020), the Group did not grant any sureties or guarantees for loans.

Unusual items

In Q1 2021 (and Q1 2020), there are no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, value or frequency.

Inventories

The Group does not hold any inventory, hence there have been no write downs or reversals of write downs from previous periods.

Write off of any assets

There are no items relating to write offs for impairment of financial assets, tangible fixed assets, intangible assets or any other assets, or reversal of such write offs from previous periods other than those specifically mentioned in this report.

Court cases

There have been no significant payments / settlements resulting from existing court cases in Q1 2021 (Q1 2020: no significant settlements).

Corrections of errors from previous periods

In Q1 2021, there are no errors from previous periods which require correction. (Q1 2020: no errors requiring correction).

Issue, redemption and repayment of non-equity and equity securities

In Q1 2021 (and Q1 2020), other than disclosed in note 15, there were no other issuances, redemptions or repayments of non-equity and equity securities.

Alternative performance measures

These financial statements provide alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. To support this we have included a reconciliation of the APMs we use, where relevant, and a glossary indicating the APMs that we use, an explanation of how they are calculated and why we use them.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income statement measures			
Credit issued growth (%)	None	Not applicable	Credit issued is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Credit issued growth is the period-on-period change in this metric which is calculated by retranslating the previous period's credit issued at the average actual exchange rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results.
Average net receivables (£m)	None	Not applicable	Average net receivables are the average amounts receivable from customers translated at the average monthly actual exchange rate. This measure is presented to illustrate the change in amounts receivable from customers on a consistent basis with revenue growth.
Average net receivables growth at constant	None	Not applicable	Average net receivables growth is the period-on-period change in average net receivables which is calculated by retranslating the previous period's average net receivables at the average actual

exchange rates (%)			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.
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous period'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.
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average net receivables and is an indicator of the gross return being generated from average net receivables.
Impairment as a percentage of revenue (%)	None	Not applicable	Impairment as a percentage of revenue is reported impairment divided by reported revenue and represents a measure of credit quality that is used across the business. This measure is reported on a rolling annual basis (annualised).
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is other costs divided by reported revenue. Other costs represent all operating costs with the exception of amounts paid to agents as collecting commission. This measure is reported on a rolling annual basis (annualised). This is useful for comparing performance across markets.
Balance sheet and returns measures			
Equity to receivables ratio (%)	None	Not applicable	Total equity divided by amounts receivable from customers, this is a measure of balance sheet strength.
Headroom (£m)	Undrawn external bank facilities	None	Headroom is an alternative term for undrawn external bank facilities.
Net debt	None	Not applicable	Borrowings less cash
Other measures			
Customers	None	Not applicable	Customers that are being served by our agents or through our money transfer product in the home credit business and customers that are not in default in our digital business.

Constant exchange rate reconciliations

The period-on-period change in profit and loss accounts is calculated by retranslating the 2020 Q1 profit and loss account at the average actual exchange rates used in the current year.

Q1 2021

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	810.0	603.0	247.0	-	1,660.0
Credit issued	135.8	39.7	38.7	-	214.2
Average net receivables	384.2	91.6	174.5	-	650.3
Revenue	70.9	30.8	29.2	-	130.9
Impairment	2.6	(1.7)	(5.5)	-	(4.6)
Net revenue	73.5	29.1	23.7	-	126.3
Finance costs	(7.7)	(1.5)	(3.5)	-	(12.7)
Agents' commission	(11.1)	(5.2)	-	-	(16.3)
Other costs	(37.3)	(17.5)	(15.3)	(3.2)	(73.3)
Profit/(loss) before tax	17.4	4.9	4.9	(3.2)	24.0

Q1 2020 performance, at average Q1 2020 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customer numbers (000s)	937.0	771.0	332.0	-	2,040.0
Credit issued	140.0	56.4	74.8	-	271.2
Average net receivables	534.0	144.3	277.9	-	956.2
Revenue	97.9	51.5	47.3	-	196.7
Impairment	(24.5)	(16.0)	(20.4)	-	(60.9)
Net revenue	73.4	35.5	26.9	-	135.8
Finance costs	(8.3)	(2.5)	(3.9)	-	(14.7)
Agents' commission	(11.9)	(6.3)	-	-	(18.2)
Other costs	(46.2)	(23.0)	(22.4)	(2.9)	(94.5)
Profit/(loss) before tax	7.0	3.7	0.6	(2.9)	8.4

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	(4.1)	(5.1)	0.6	-	(8.6)
Average net receivables	(15.2)	(13.4)	1.7	-	(26.9)
Revenue	(3.0)	(4.6)	0.4	-	(7.2)
Impairment	1.6	1.4	0.1	-	3.1
Net revenue	(1.4)	(3.2)	0.5	-	(4.1)

Finance costs	0.2	0.2	-	-	0.4
Agents' commission	0.2	0.6	-	-	0.8
Other costs	0.8	1.9	(0.1)	-	2.6
Profit/(loss) before tax	(0.2)	(0.5)	0.4	-	(0.3)

Q1 2020 performance, at average Q1 2021 foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	135.9	51.3	75.4	-	262.6
Average net receivables	518.8	130.9	279.6	-	929.3
Revenue	94.9	46.9	47.7	-	189.5
Impairment	(22.9)	(14.6)	(20.3)	-	(57.8)
Net revenue	72.0	32.3	27.4	-	131.7
Finance costs	(8.1)	(2.3)	(3.9)	-	(14.3)
Agents' commission	(11.7)	(5.7)	-	-	(17.4)
Other costs	(45.4)	(21.1)	(22.5)	(2.9)	(91.9)

Year-on-year movement at constant exchange rates

%	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Credit issued	(0.1%)	(22.6%)	(48.7%)	-	(18.4%)
Average net receivables	(25.9%)	(30.0%)	(37.6%)	-	(30.0%)
Revenue	(25.3%)	(34.3%)	(38.8%)	-	(30.9%)
Impairment	111.4%	88.4%	72.9%	-	92.0%
Net revenue	2.1%	(9.9%)	(13.5%)	-	(4.1%)
Finance costs	4.9%	34.8%	10.3%	-	11.2%
Agents' commission	5.1%	8.8%	-	-	6.3%
Other costs	17.8%	17.1%	32.0%	(10.3%)	20.2%

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A copy of this statement can be found on our website at www.ipfin.co.uk.

Legal Entity Identifier: 213800II1O44IRKUZB59

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