Full-year financial report
for the year ended 31 December 2023

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Notes

This report has been prepared to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The report should not be relied on by any other party or for any other purpose. The report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report, but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, as well as any forward-looking information. Percentage change figures for all performance measures, other than profit before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for the period to present the performance variance.

14 March 2024
International Personal Finance plc
Full-year financial report for the year ended 31 December 2023

Principal activity
International Personal Finance is helping to build a better world through financial inclusion by providing affordable credit products and insurance services to underserved consumers across nine markets.

GOOD GROWTH AND STRONG FINANCIAL PERFORMANCE

Key highlights

- **Strong full-year financial performance and increased final dividend**
  - Reported profit before tax up 8.4% to £83.9m (2022: £77.4m), ahead of our internal plans.
  - Proposed final dividend of 7.2p per share (2022: 6.5p) results in full-year dividend growth of 12.0% to 10.3p per share (2022: 9.2p), consistent with our progressive dividend policy.

- **Excellent operational execution delivered further growth and continued good credit quality**
  - Strong demand for our broad range of financial products resulted in customer lending, excluding Poland, showing year-on-year growth of 8%.
  - Closing net receivables of £893m (2022: £869m), demonstrating strong year-on-year growth of 12%, excluding Poland.
  - Lending and receivables in Poland reduced by 29% and 25% respectively, in line with guidance provided in Q4 2022, as we adapt to new regulation and rollout our new credit card product.
  - Actions to improve the Group's returns delivering very positive results:
    - Revenue yield strengthened to 55.3% (2022: 51.9%).
    - Customer repayment performance remained robust, delivering an impairment rate of 12.2% (2022: 8.6%), in line with expectations.
    - Rigorous focus on cost control and efficiency delivered a further reduction in the cost-income ratio to 57.0% (2022: 60.9%).

- **Diversified funding sources and significant headroom to fund growth**
  - Successfully raised and extended £146m of debt facilities in 2023, with over £170m of debt funding now maturing beyond 2025.
  - Substantial headroom on funding facilities of £126m.
  - We note the improvement in debt market conditions and, together with advisors, are actively exploring options to refinance the Eurobond maturing in November 2025.

- **Significant progress executing strategy to take advantage of substantial and sustainable long-term growth opportunities**
  - Over 130,000 credit cards now issued in Poland.
  - Continued traction in capturing the significant growth potential in Mexico through both our home credit and digital divisions.
  - Further new product launches including digital and retail partnership products in Romania and a pay later product in Mexico.
  - The Group's evolution to a more modern, multi-product, multi-channel and digitally-enabled business is now captured through the rearticulation of the Group's strategy as "Next Gen".

- **Poland**
  - Lenders in Poland, including the Group, recently received a regulatory communication from the Komisja Nadzoru Finansowego (KNF), the Polish Financial Supervision Authority.
  - The communication sets out the KNF's views on how non-interest fees should be interpreted by credit card issuers.
  - Further detail is provided on page 9.

Group key statistics	**2023**	2022	YOY change at CER
Customer numbers (000s)	**1,700**	1,733	(1.9%)
Customer lending (£m)	**1,150.6**	1,126.4	(3.5%)
Closing net receivables (£m)	**892.9**	868.8	(0.2%)
Reported PBT (£m)	**83.9**	77.4	
Pre-exceptional EPS (pence)[1]	**23.2p**	20.8p	11.5%
Full-year dividend per share (pence)	**10.3p**	9.2p	12.0%

1 *Prior to an exceptional tax charge of £4.0m in 2023, and an exceptional tax credit of £10.5m in 2022, see page 18 for details.*

Gerard Ryan, Chief Executive Officer at IPF commented:
"I am pleased to report our relentless focus on meeting our customers' needs combined with strong cost control and good capital management has driven a very positive financial and operational performance in 2023. Our strategy to grow the business is being well executed which, together with excellent operational execution, delivered profit before tax of £83.9m, well ahead of our original plans. All of our businesses delivered good growth, with the exception of Poland where we anticipated a shrinkage as we adapt to new regulation and the rollout of our credit card product. We are now serving more than 130,000 customers with this exciting new offering and we continue to adapt and change our Polish business to customer needs and ongoing changes in regulation.

As a result of our strong performance and confidence in our growth outlook, the Board is proposing a final dividend of 7.2 pence per share, resulting in full-year dividend growth of 12.0%, in line with our commitment to deliver a progressive dividend policy.

Our strong performance in 2023, together with our robust capital and funding position, provides a great foundation for delivering further good quality growth and continuing to successfully execute against our Next Gen strategy in 2024. I would like to say a huge thank you to all my colleagues whose hard work and dedication is the key to increasing financial inclusion for our customers and delivering strong returns for our shareholders."

Alternative performance measures
This full-year 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 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.

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Investor webcast
International Personal Finance will host a webcast of its 2023 full-year results presentation at 09.00hrs (GMT) today – Thursday 14 March 2024, which can be accessed here.

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

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Chief Executive Officer's review

Group performance

I am delighted with the excellent progress we have made against our strategic objectives in 2023 which has resulted in a very strong operational and financial performance for the year as a whole. We delivered profit before tax of £83.9m, up 8% on last year and surpassing our original plans, with good contributions from all our divisions.

Demand for affordable credit from consumers in our target segment remained strong and, despite continued tight credit standards against the backdrop of rising inflation, we delivered an 8% increase in customer lending, excluding Poland. In line with our expectations, lending in Poland declined by 29% as we move to being a credit card-focused business and adapt both our home credit and digital divisions to operating under new affordability regulations in this market. Closing net receivables of £893m (2022: £869m) showed good year-on-year growth of 12%, excluding Poland which saw an expected year-on-year reduction of 25%.

The rollout of credit cards in Poland has progressed well with the product showing strong customer appeal. Along with all other lenders in Poland, we received a regulatory communication from the KNF in late February 2024, regarding its expectations of the application of non-interest fees to credit cards. We are in the process of reviewing the communication with the assistance of external counsel as well as engaging with the KNF to understand the potential impact on our business. If the expectations set out in the KNF letter are implemented in their current form, we estimate that this could reduce the Group's profits by up to £10m per annum, after taking account of the strong trading performance in 2023. We will continue to adapt and change our Polish product offerings to meet both customer needs and the evolving regulatory landscape in order to deliver our target financial returns.

We continued to make very good progress against our target KPIs in 2023. The revenue yield strengthened to 55.3% (2022: 51.9%) and is now very close to our target range of 56% to 58%, whilst the cost-income ratio reduced to 57.0% (2022: 60.9%) as we maintained our strict focus on cost control and efficiency. We are continuing to identify areas where we can improve efficiency and deploy technology, and we are making good progress towards our target range of 49% to 51%. The impairment rate increased to 12.2% (2022: 8.6%) and this was in line with our plans and remains below our overall target rate of between 14% to 16%, reflecting the good quality of our receivables portfolios. Tight credit standards coupled with a strong operational rhythm, meant that customer repayment performance remained robust in 2023, despite the challenging macroeconomic landscape for our customers.

Our financial model underpins our purpose to build a better world through financial inclusion and targets a return on required equity (RoRE) for the Group of 15% to 20%, which we consider to be sustainable and balances the needs of all our stakeholders. Our annualised pre-exceptional RoRE showed a modest improvement to 14.8% (2022: 14.6%), which reflects a very good performance from each of our businesses to mitigate the impact of reduced returns in Poland as we transition the business through 2023 and 2024. The European and Mexico home credit divisions both delivered our target returns of around 20% whilst returns in IPF Digital improved as we continue to make good progress in capturing the excellent growth opportunities which will deliver both scale and our target returns.

Our Group continues to have a very well-capitalised balance sheet and robust funding position. Continued success in diversifying our funding base and refinancing our existing facilities resulted in significant headroom of £126m on our debt facilities at the end of 2023.

We have previously communicated our plans to deliver a progressive dividend policy whilst absorbing the financial impact of transitioning our business in Poland. Reflecting our confidence in executing the Group's strategy and realising the long-term growth potential of the business, we are proposing a final dividend of 7.2 pence per share, bringing the full-year dividend to 10.3 pence per share, up 12.0% on 2023.

Full details of the Group financial performance are detailed in the financial review section.

Purpose and strategy

We play a vital role in society by providing access to affordable credit products and insurance services to people who are often excluded from day-to-day financial services by banks and other lenders. We currently serve 1.7 million customers in nine countries, and we have a clear ambition to grow our business to 2.5 million customers as we deliver on our purpose of building a better world through financial inclusion.

In 2023, we made strong progress executing our strategy of broadening our products and distribution channels to serve more customers at the same time as driving improved cost efficiency and delivering increased digital capability across the Group. Some of the key highlights were:

(i) Credit cards

The rollout of our new credit card in Poland has progressed very well and, at the end of the year, we had issued more than 130,000 cards to customers, up from just over 50,000 at the half year. The new offering is proving very popular with our customers who value the utility provided by a credit card to seamlessly shop online and in store as well as withdraw cash at an ATM as their credit limit allows. The level of these transactions has now grown to represent approximately half of all transactions in December 2023, exceeding our own expectations. It is also very encouraging that the impairment performance of credit card customers is consistent with instalment loans, benefiting from the ongoing discipline provided through cash repayments being collected by our customer representatives.

See the Regulatory update for further information regarding a regulatory communication from the KNF in February 2024 regarding the application of non-interest fees to credit cards.

(ii) Mexico expansion

In our Mexico home credit business, we continued our successful expansion strategy, launching a new home credit region in Tampico in March 2023 and we will continue to grow our geographic footprint in 2024 with a new branch opening in Mexicali, located in northern Mexico. Building on the success of our digital onboarding process, which was delivered in 2022, we transformed our lead management process in 2023 by integrating WhatsApp instant messaging technology with our Facebook marketing channel, which increased leads by more than 165%. In the fourth quarter of the year, we also launched a new mobile app for customers which is currently being tested in three locations and has received positive feedback to date.

We launched our mobile wallet to our digital customers in Mexico in early 2023. We have been very encouraged by the strong uptake in Mexico and, together with the continued good traction in the Baltics, resulted in our IPF Digital division ending the year with over 53,000 mobile wallet customers, up from 14,000 at the start of the year.

As part of our focus on capturing partnership opportunities, we very recently launched a test of an interest-bearing Pay Later product with retailers in Mexico to enable customers to finance their purchases at point of sale.

(iii) Romania

Our Romanian business continues to be at the forefront of innovation and a driver for growth within the Group. Having launched a retail partnership with E-Mag in 2022, we launched our second retail partnership in the fourth quarter of 2023 with Flanco, one of the country's largest electrical goods retailers, providing access to finance for consumers at the point at which they make a purchase. In December, we also launched what we term a digital "hybrid" loan product, which offers end-to-end digital onboarding, disbursement and repayment functionality with the opportunity for a customer representative to work with the customer in the event of any financial difficulty. We are pleased with how these new initiatives have started and will look to expand them during 2024.

(iv) Value-added services

We continue to see a very good opportunity to serve our customers with value-added services such as healthcare, life and job insurances as well as access to educational services at great value prices they would not be able to obtain individually. During 2023, we further expanded our value-added services in Poland, and also launched our first insurance product in the Baltics within our IPF Digital division. In total, around 800,000 of our customers are now enjoying the benefit of one of our value-added services.

Our Next Gen strategy

The evolution of the Group over the last five years has been dramatic, as we have navigated through Covid-19, adapted to the changing regulatory landscape and introduced an increasing number of new products and channels to satisfy ever-changing customer needs. IPF is now a more modern, multi-product, multi-channel and digitally enabled business and we have therefore taken the opportunity to rearticulate our strategy to reflect the Group as it is today. Our aim is to be the leading provider of financial services for underserved communities around the world; data driven, technology-enabled and always with a human touch, and we are now well positioned to deliver future growth.

We call our rearticulation "Next Gen" and, whilst the fundamentals are unchanged, we now categorise our strategy into three distinct pillars:

1. *Next Gen financial inclusion*: building products, channels and territories to ensure our propositions are attractive to the next generation of customers.
2. *Next Gen organisation*: becoming a smarter and more efficient organisation that makes a positive impact on society.
3. *Next Gen technology and data*: investing in the capabilities required to become a data-driven and technology-enabled partner for our customers.

As we continue to build a better world through financial inclusion and deliver against our ambition to serve 2.5 million customers, we will talk about our strategy and monitor our progress through these three pillars.

Marketplace

Our business offers significant long-term growth opportunities, and our addressable market is very significant with around 70 million adults who are underserved financially in our nine countries alone. Increasingly, consumers are looking for a convenient, fast and personal service enabled by technology innovations, and adoption of digital technology is widespread among our target consumers.

The global economic downturn and cost-of-living crisis continued to be the largest challenge facing our business throughout 2023, both in terms of its impact on our customers as well as increased costs across the Group. Inflation rates are reducing across our markets, but they are expected to remain elevated in 2024. We continued to experience good demand for affordable financial services in our target segment of consumers, and whilst our customers' disposable incomes came under pressure because of increased food, fuel and energy prices, we did not see any discernible signs of deterioration in their repayment performance. This is the result of their careful attitude to credit, our prudent lending decisions to minimise credit risk to the business and our consistent and fair collections practices. We will continue to monitor lending and repayment performance carefully and will adjust credit settings as appropriate.

The rise in inflation has inevitably had a knock-on impact on interest rates around the globe, although it appears that rates have now peaked. We have been heavily focused on managing our revenue yield and cost efficiency to mitigate the rising cost of funding, particularly as we think about our options for refinancing our fixed rate, fixed term funding.

All our markets remain very competitive although we have seen banks tighten their lending criteria in response to the cost-of-living crisis. There have been no major new entrants serving our segment of consumers, but some competitors have been impacted by increased regulation and caution in capital markets. We believe that non-bank financial institutions will remain a crucial source of finance for lower income, underserved consumers, and we will continue to focus on serving more customers in this demographic while maintaining lending quality.

Environment, social and governance (ESG)

As a global lending business, we have the responsibility and opportunity to make a real difference to our customers' financial futures and to contribute to the creation of a lower-carbon, fairer and ethical society. We are committed not only to supporting our customers by providing affordable and transparent credit in a responsible way, but also striving to create long-term, sustainable value for all our stakeholders as we invest in promoting financial inclusion, develop the capabilities of our team who serve millions of customers, and implementing our climate change strategy.

In 2023, the Board approved our Responsible Business Framework, a vision for how we will contribute to a more sustainable world and deliver our purpose of building a better world through financial inclusion. Our journey to embed ESG throughout our operations aims to drive real change across our markets and the key initiatives undertaken in the year included:

- Our Global People Survey, which measures cultural alignment, had a 95% participation rate and generated a 79% positive response rate - a fantastic result by any measure.
- We delivered learning academies to 16,000 customer representatives and more than 500 training programmes to colleagues.
- We invested £893,000 in our communities, assisting 69,000 people through our global Invisibles community programme, and providing 3,300 volunteering opportunities for our colleagues.

- Agreeing our ambition and plan to become net zero by 2050 and becoming a supporter of the Task Force on Climate-related Financial Disclosures.
- Being recognised with Top Employer and Super Ethical Company awards in Poland, and IPF Digital in Mexico was named as the 'Best Place to Work for Women'.

Dividend

Reflecting our confidence in executing the Group's strategy and realising the long-term growth potential of the business, the Board is pleased to declare a 10.8% increase in the final dividend to 7.2p per share (2022: 6.5p). This is in line with our progressive dividend policy and brings the full-year dividend to 10.3p per share (2022: 9.2p), an increase of 12.0% on 2022 and representing a pre-exceptional payout rate of 44% (2022: 44%). As we previously communicated, the payout rate is modestly above our target of 40% as we utilise our strong capital base whilst rebuilding our RoRE to our target level of 15%. Subject to shareholder approval, the final dividend will be paid on 11 May 2024 to shareholders on the register at the close of business on 12 April 2024. The shares will be marked ex-dividend on 11 April 2024.

Regulatory update

(i) Consumer Credit Directive

The EU Commission's review of the second Consumer Credit Directive (CCD II) was published formally in November and entered into force in December. EU Member States have 24 months to comply with CCD II. The key areas of change relevant to the Group include rules on pre-contractual information, creditworthiness assessments and underwriting, documentation training and consumer protection rules.

(ii) Poland

From 1 January 2024, the Polish financial supervision authority, KNF, began supervising all non-bank financial institutions in Poland, which includes our home credit and digital businesses in this market. We continue to engage with the KNF as they assess our application for a full payment institution licence which will enable our Polish business to issue a greater volume of credit cards in Poland. In the meantime, we continue to operate under a small payment institution licence where the value of monthly credit card transactions, based on a 12-month rolling average, is limited to the maximum value achieved in any one month in 2023 (in our case December 2023) until the full payment institution licence is granted.

In late February 2024, we received a letter from the KNF issued to all regulated lenders operating in the Polish credit card market setting out its current expectations on how charging practices for credit cards should be subject to limits on non-interest costs, the need to differentiate between different costs charged by credit card issuers which are subject to caps and those fees which are not subject to a cap and lastly how issuers should approach more broadly the question of calculating and assessing fees which are not subject to specific legal limits.

The key expectations set out in the KNF's letter are as follows:

(i) Credit cards should be subject to the limits on non-interest costs as set out in the Law on Consumer Credit and the Civil Code. The Consumer Credit cap operates in a way that allows lenders to charge up to 10% of the total amount of credit issued up front, plus 10% of the total amount of credit per annum, up to a maximum of 45% of the total amount of credit issued (often referred to as "10+10"). The Group's Polish business issues its loan products based on this cap. The Civil Code cap operates in a way allowing lenders to charge up to 20% of the total amount of credit per annum, taking into account the actual repayment period.

(ii) The KNF differentiates between non-interest caps which are "credit-related" and subject to a cap and "card-related" costs which are not subject to a cap.

(iii) Card-related costs (e.g. ATM usage fees), which are not covered by either of these caps, should be proportionate, not excessive and should be justifiable.

(iv) The letter was not specific on when any changes would need to be implemented and did not indicate any retrospective application.

In addition to the above charges, lenders in Poland can also charge interest on all credit products, including credit cards, up to the limit on the interest rate cap which is calculated as: 2 x (National Bank Reference Rate + 3.5%).

Following detailed legal advice, the Group had previously determined that non-interest cost caps did not apply to credit cards and is therefore reviewing, with the assistance of external counsel, what the impact of this communication might be. We are also engaging with the KNF.

At present, the Polish business charges interest on its credit cards in line with the current interest rate cap in Poland plus an all-in 4.5% charge per month. The all-in monthly charge is above the non-interest expectations set out in the KNF's letter.

Our Polish credit card receivables portfolio amounts to £49m at 31 December 2023. This is stated after a £6m impairment charge in respect of a reduction in expected future cashflows discounted at the original effective interest rate as a result of the potential impact from the KNF letter. Polish credit card receivables represent just over 5% of the Group's receivables and approximately 25% of total receivables in Poland. The Group's Polish business has an excellent track record of adapting to the evolving regulatory environment and has developed a broad range of products and distribution channels to meet the financial needs of underbanked and underserved consumers in this market. We will continue to evolve our Polish business in order to ensure it delivers the Group's target returns of between 15% and 20% whilst building financial inclusion in this important market.

The Group estimates that if the expectations set out in the KNF letter are implemented in full in their current form, the non-interest fees generated by the Group's Polish credit card business could be reduced by approximately 30% - 40%. On an ongoing basis, after taking account of the Group's strong trading performance in 2023, this could reduce the Group's profit before tax by up to £10m per annum.

Further information is also set out in note 22.

(iii) Romania

In the first quarter of 2024, the Prime Minister of Romania announced plans to prioritise implementing price caps on loans from Non-Banking Financial Institutions (NBFIs) in the upcoming parliamentary session. The proposed limits include an 8% cap on the APR for NBFIs' mortgage loans and a 25% cap for consumer loans, both compared to the National Bank of Romania's interest rates. An exception is proposed for small-value consumer loans (up to 15,000 lei or approximately €3,000), where the total amount payable cannot exceed twice the borrowed amount. We have been anticipating a potential change in regulation for some time and do not expect the impact to be material. However, we continue to actively monitor the legislative process.

Board changes

Our non-executive director, Katrina Cliffe, succeeded Richard Holmes as Senior Independent Director (SID) from 1 December 2023. Katrina joined the Board in 2022 and is also our Board workforce engagement lead. In making this change, we are progressing our commitment to meeting the FCA's targets on board diversity. Richard Holmes remains Chair of the Audit and Risk Committee and a member of the Nominations and Governance Committee, and Remuneration Committee.

Outlook

Our aim is to provide underserved consumers with access to simple, personal and affordable credit and insurance services to help support and protect them and their families. There is strong demand for affordable credit within our target demographic, and we have a clear plan to capture the substantial and sustainable long-term growth opportunities for the Group.

We delivered a stronger-than-expected trading performance in 2023 and this momentum has continued in early 2024. Looking ahead, we will continue to focus on extending financial inclusion by offering more product choices to consumers within our existing markets, including credit card, digital, retail partnership opportunities, value-added services as well as expanding our geographic reach in Mexico. We will also continue to deploy more digital solutions to improve customer experience and cost efficiency in all our markets, while retaining the personal contact with customers that gives us a key competitive advantage.

We will continue to adapt and change our Polish business to both customer needs and the evolving regulatory landscape. As we continue to make the changes necessary to deliver our target financial returns in Poland, we expect the Group's ongoing profit could be up to £10m lower per annum than previously expected, after taking account of the Group's strong performance in 2023.

Our actions over the last two years to maintain tight credit standards, improve revenue yields and drive cost efficiency have been very successful in improving the Group's returns towards our target levels. Credit quality is excellent, we have a robust balance sheet and strong funding position, and we are progressing with plans to refinance the Eurobond maturing in November 2025. As a result, we have a strong foundation on which to build good quality customer and receivables growth in 2024.

Financial review

Group

We delivered a very strong full-year financial performance in 2023 as we continued to execute well against our strategy, despite the ongoing challenging macroeconomic environment and the ongoing transition of our Polish business. We delivered profit before tax of £83.9m, up by 8% (£6.5m) year on year, which was well ahead of our original plans, reflecting our strong operational performance, consistent execution of our strategy and a £6m benefit from favourable exchange rates. All three of our divisions delivered a good financial performance:

	2023 £m	2022 £m	Change £m	Change %
European home credit	**65.1**	65.6	(0.5)	(0.8)
Mexico home credit	**23.1**	17.7	5.4	30.5
IPF Digital	**10.7**	8.8	1.9	21.6
Central costs	**(15.0)**	(14.7)	(0.3)	(2.0)
Profit before taxation	**83.9**	77.4	6.5	8.4

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

	2023 £m	2022 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**1,700**	1,733	(33)	(1.9)	(1.9)
Customer lending	**1,150.6**	1,126.4	24.2	2.1	(3.5)
Average gross receivables	**1,388.9**	1,244.5	144.4	11.6	5.9
Closing net receivables	**892.9**	868.8	24.1	2.8	(0.2)
Revenue	**767.8**	645.5	122.3	18.9	11.7
Impairment	**(169.4)**	(106.7)	(62.7)	(58.8)	(45.9)
Revenue less impairment	**598.4**	538.8	59.6	11.1	4.7
Costs	**(437.6)**	(393.3)	(44.3)	(11.3)	(5.2)
Interest expense	**(76.9)**	(68.1)	(8.8)	(12.9)	(7.6)
Reported profit before taxation	**83.9**	77.4	6.5	8.4	
Revenue yield	**55.3%**	51.9%	3.4 ppts		
Impairment rate	**12.2%**	8.6%	(3.6) ppts		
Cost-income ratio	**57.0%**	60.9%	3.9 ppts		
Pre-exceptional EPS[1]	**23.2p**	20.8p	2.4p		
Pre-exceptional RoE[1]	**11.1%**	11.5%	(0.4) ppts		
Pre-exceptional RoRE[1,2]	**14.8%**	14.6%	0.2 ppts		

[1] *Prior to an exceptional tax charge of £4.0m in 2023, and an exceptional tax credit of £10.5m in 2022.*
[2] *Based on required equity to receivables of 40%.*

We are committed to increasing financial inclusion by offering affordable and accessible financial products to those who are often underserved by banks and traditional credit providers. The strong execution of our strategy to capture growth opportunities and meet consumer demand with our broadening range of financial products supported an 8% increase in customer lending year on year and 12% growth (at CER) in closing net receivables, excluding Poland. As expected, Poland's lending in both our home credit and digital divisions declined year on year as we transitioned the business through 2023 to a credit card-focused business as well as adapting to new affordability regulations.

As a result, overall Group customer lending reduced by 3.5% year on year and closing net receivables contracted by 0.2% (at CER) to £893m. Customer numbers increased by 2% to 1.7 million, excluding the impact of the transition in Poland and the collect-outs of our businesses in Spain and Finland which are now complete.

Our financial model requires us to deliver a RoRE of between 15% and 20%, which supports a minimum payout ratio of 40% of earnings to shareholders and receivables growth of up to 10% per annum whilst maintaining a target equity to receivables ratio of 40%. Delivery of our financial model is underpinned by a stringent focus on revenue yield, impairment rate and cost-income ratio, and we continued to make very good progress towards our medium-term targets in 2023.

The Group revenue yield continued to strengthen, increasing by 3.4 ppts to 55.3% year on year, reflecting the positive impacts of lower levels of promotional activity introduced during the second half of 2022 and price increases in some of our markets. It is now just below our target range of 56% to 58%, and we expect it to increase further in the medium term as: (i) Mexico home credit, which carries a higher yield, grows and represents a larger proportion of the Group's receivables portfolio; and (ii) continued lower promotional activity in the receivables portfolio take greater effect.

The rate of inflation in our markets has remained elevated, and whilst it is now reducing, there continues to be pressure on our customers' disposable incomes. Our disciplined approach to granting credit in a responsible, affordable way for our customers continues to be reflected in our good portfolio quality and robust customer repayments and, to date, we have not seen any discernible impact from the cost-of-living crisis on customer repayment performance. The Group delivered an impairment rate of 12.2% in 2023 (2022: 8.6%), in line with our expectations as impairment rates continue to normalise towards our target levels. The Group impairment rate in 2023 includes a £6m downwards valuation in respect of a reduction in expected future cashflows discounted at the original effective interest rate as a result of the potential impact from the recent KNF letter on credit card receivables in Poland (see page 9). Reflecting continued caution in respect of the pressure on customers' disposable incomes, our balance sheet remains very robust with an impairment provision coverage ratio of 36.3% at the end of the year, which is in line with 2022 and compares with a pre-Covid-19 ratio of 33.5% at the end of 2019. The Group's cost-of-living provision has been reduced from £21m to £15m, reflecting strong credit quality and operational execution as well as a reduction in inflation.

A key focus of our strategy is to become a smarter and more efficient organisation through process improvement and the deployment of technology. Our very strong cost control, combined with the excellent growth in revenue, delivered a significant 3.9 ppt improvement in the Group's cost-income ratio from 60.9% to 57.0% year on year. Based on achieving greater scale and the efficiency initiatives already underway, we expect the ratio to continue to show year-on-year improvement as we build towards our target range of 49% to 51%.

Pre-exceptional EPS was 23.2p per share (2022: 20.8p), showing year-on-year growth of 11.5%, a higher rate than the 8.4% growth in profit, due to a lower effective tax rate of 38% compared with 40% last year.

The pre-exceptional RoRE for 2023 of 14.8% is broadly in line with last year (2022: 14.6%). We continue to operate close to the lower end of our target range of 15% to 20% as we rebuild scale and transition the Polish business to the new regulatory landscape. The Group's pre-exceptional RoE, based on actual equity, reduced to 11.1% at the end of 2023 (2022: 11.5%), due to favourable exchange rate movements which have increased equity.

Divisional performance

European home credit

	2023	2022	Change	Change	Change at CER
	£m	£m	£m	%	%
Customer numbers (000s)	**761**	784	(23)	(2.9)	(2.9)
Customer lending	**616.6**	637.0	(20.4)	(3.2)	(7.1)
Average gross receivables	**801.6**	747.5	54.1	7.2	3.0
Closing net receivables	**483.0**	501.0	(18.0)	(3.6)	(5.5)
Revenue	**379.7**	317.5	62.2	19.6	15.0
Impairment	**(39.4)**	(5.2)	(34.2)	(657.7)	(720.8)
Revenue less impairment	**340.3**	312.3	28.0	9.0	4.5
Costs	**(227.2)**	(203.9)	(23.3)	(11.4)	(7.4)
Interest expense	**(48.0)**	(42.8)	(5.2)	(12.1)	(7.6)
Reported profit before taxation	**65.1**	65.6	(0.5)	(0.8)	
Revenue yield	**47.4%**	42.5%	4.9 ppts		
Impairment rate	**4.9%**	0.7%	(4.2) ppts		
Cost-income ratio	**59.8%**	64.3%	4.5 ppts		
Pre-exceptional RoRE	**20.5%**	21.3%	(0.8) ppts		

Our European home credit division delivered a strong financial result in 2023, reporting profit before tax of £65.1m, broadly in line with 2022, despite the ongoing transition of our Polish business. The year-on-year profit performance benefited by £4m from more favourable exchange rates. Romania and Hungary both performed very well, delivering good profit growth and exceeding our original plans. As expected, Poland's profits reduced by around 40% in 2023 as we adapted to the new affordability and revised rate cap regulations introduced in 2022 and transitioned to a more credit card-focused business. The Czech Republic saw a reduction in profit due to higher impairment levels during the first nine months of the year, but it was pleasing to see the business gain improved momentum towards the end of the year.

Despite the ongoing cost-of-living pressures in Europe, demand for consumer credit remained robust in all of our markets, and we continued our commitment to supporting our customers through both difficult periods as well as good times. Overall, European home credit lending showed a 7% contraction year on year due to the expected 27% reduction in Poland. In contrast, Romania, Hungary and the Czech Republic delivered a combined 10% increase in lending.

Closing net receivables showed a year-on-year reduction of 5% (at CER) to £483m, driven wholly by the 25% reduction in Poland, which was in line with the guidance we provided in the fourth quarter of 2022. Romania and Hungary delivered strong receivables growth of 15% in 2023 whilst the Czech Republic was broadly stable as we took action to improve field processes and set the business up for growth in 2024. The Polish credit card receivables portfolio ended the year at £49m. This is stated after a £6m downwards valuation in respect of a reduction in expected future cashflows discounted at the original effective interest rate as a result of the potential impact from the KNF letter (see Regulatory update).

Customer numbers ended the year at 761,000 (2022: 784,000), due mainly to a 25,000 reduction in customers in Poland.

The revenue yield significantly strengthened year on year from 42.5% to 47.4%. This reflects the management actions taken to bolster our returns, including reduced promotional activity and modest price increases, some of which relate to local rate caps which are linked to base rate movements.

We maintained tight credit standards in all markets during 2023 and customer repayment performance remained robust in Romania, Hungary and Poland. We also saw another strong performance on post charge-off recoveries, including debt sales, similar to the levels achieved in 2022. As a result, and despite a weaker performance in the Czech Republic, European home credit delivered an impairment rate of 4.9%, up from 0.7% in 2022. The cost-of-living provision has been reduced from £15m to £9m, reflecting strong credit quality and operational execution as well as a reduction in inflation.

The strong growth in revenue combined with very effective cost control delivered a further significant improvement in the cost-income ratio, which improved by 4.5 ppts year on year to 59.8% (2022: 64.3%). We continue to drive more efficient processes and deliver greater synergies across our four countries, including through the deployment of technology and sharing of best practice and resource. As part of this programme of work, we have recently announced a restructuring of the field force in our Polish business.

As expected, the pre-exceptional RoRE showed a modest decrease to 20.5% (2022: 21.3%), as we rolled out credit cards in Poland and continued the transition to the new regulatory landscape in which we now operate.

2023 was a successful year in the evolution of our European home credit business. The rollout of credit cards in Poland has progressed well and we will continue to adapt and change the business to meet both customer needs and the evolving regulatory landscape. We now expect ongoing profit from European home credit could be up to £10m lower per annum than our original plans as we continue to make the changes necessary to deliver our target financial returns in Poland. We will also expand our new digital and partnership offerings in Romania in 2024 and grow our core home credit customers in this market as well as in Hungary and the Czech Republic. Our European home credit business remains the bedrock of our Group returns but also, importantly, offers us continued good growth opportunities.

Mexico home credit

	2023 £m	2022 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**716**	696	20	2.9	2.9
Customer lending	**302.8**	257.4	45.4	17.6	4.8
Average gross receivables	**299.4**	239.0	60.4	25.3	11.7
Closing net receivables	**187.1**	158.5	28.6	18.0	8.3
Revenue	**261.6**	210.9	50.7	24.0	10.8
Impairment	**(96.7)**	(75.5)	(21.2)	(28.1)	(15.1)
Revenue less impairment	**164.9**	135.4	29.5	21.8	8.3
Costs	**(129.7)**	(107.8)	(21.9)	(20.3)	(7.5)
Interest expense	**(12.1)**	(9.9)	(2.2)	(22.2)	(9.0)
Reported profit before taxation	**23.1**	17.7	5.4	30.5	
Revenue yield	**87.4%**	88.2%	(0.8) ppts		
Impairment rate	**32.3%**	31.6%	(0.7) ppts		
Cost-income ratio	**49.6%**	51.1%	1.5 ppts		
RoRE	**20.7%**	19.2%	1.5 ppts		

Mexico home credit continued to perform well in 2023, delivering good growth and a 30.5% (£5.4m) increase in profit before tax to £23.1m (2022: £17.7m). The year-on-year profit performance benefited by £2m from more favourable exchange rates.

Our strong operational performance and successful geographic expansion strategy coupled with good consumer demand delivered a 5% increase in customer lending year on year, despite the tighter credit settings introduced towards the end of 2022 in the three regions of Mexico City, Norte and Sureste which represent around 20% of the business. Following corrective actions in these three regions, we expect customer lending growth to improve in 2024. Customer numbers grew by 3% in 2023 to 716,000.

Closing net receivables increased by 8% (at CER) to £187m which supported strong revenue growth of 11% year on year. The annualised revenue yield showed a modest reduction from 88.2% at the end of December 2022 to 87.4% and we expect it to remain close to this level going forward.

The annualised impairment rate in 2023 was 32.3% (2022: 31.6%) higher than our target rate for Mexico of 30%. This was as a result of the flow through of higher customer write offs prior to the tightening of credit noted above. Credit quality has now improved, and we expect the impairment rate to reduce in 2024 whilst also delivering good growth.

We continued to invest in our expansion strategy, which is progressing well, and we are pleased with the performance of our two new regions in Tijuana and Tampico, launched in 2022 and March 2023 respectively. We will continue to grow our geographic footprint in 2024 with a new branch opening in Mexicali, located in northern Mexico. Despite the continued investment in delivering geographic expansion, costs only showed a year-on-year increase of 7% (at CER), broadly in line with inflation levels, reflecting a strong cost and efficiency focus within the business. As a result, the cost-income ratio showed a 1.5 ppt improvement to 49.6% (2022: 51.1%). Mexico home credit continues to be the benchmark home credit operation for cost efficiency.

Overall, Mexico home credit delivered a RoRE of 20.7% (2022: 19.2%), in line with our divisional target returns. As we have indicated previously, investing in sustainable growth with a relatively shallow "j-curve" is key to maintaining target returns in this strong growth business.

The growth potential in our Mexico home credit business is significant. Our expansion strategy to reach more consumers both within our existing geographic footprint and new regions is progressing well and we will continue to deliver sustainable growth to ensure consistent returns. We plan to open a further new branch in 2024, and we will continue to digitalise the customer journey to ensure eligible, quality customers seeking credit enjoy a speedy and convenient service. We also plan to rollout our new customer app which is currently being tested in three branches and which has had strong take-up by customers. We will continue to build on the synergies developed with IPF Digital, which is helping us to financially include more people in Mexico. Together, Mexico home credit and IPF Digital in Mexico already serve nearly 800,000 customers, and we remain confident of our potential to grow to over one million customers in the medium term.

IPF Digital

	2023 £m	2022 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**223**	253	(30)	(11.9)	(11.9)
Customer lending	**231.2**	232.0	(0.8)	(0.3)	(3.4)
Average gross receivables	**287.9**	258.0	29.9	11.6	8.4
Closing net receivables	**222.8**	209.3	13.5	6.5	5.8
Revenue	**126.5**	117.1	9.4	8.0	4.5
Impairment	**(33.3)**	(26.0)	(7.3)	(28.1)	(22.0)
Revenue less impairment	**93.2**	91.1	2.1	2.3	(0.6)
Costs	**(65.8)**	(67.0)	1.2	1.8	4.5
Interest expense	**(16.7)**	(15.3)	(1.4)	(9.2)	(6.4)
Reported profit before taxation	**10.7**	8.8	1.9	21.6	
Revenue yield	**43.9%**	45.4%	(1.5) ppts		
Impairment rate	**11.6%**	10.1%	(1.5) ppts		
Cost-income ratio	**52.0%**	57.2%	5.2 ppts		
RoRE	**7.6%**	6.9%	0.7 ppts		

IPF Digital delivered another good performance in 2023 and reported a 21.6% increase in profit before tax to £10.7m (2022: £8.8m). All eight of our countries, including the collect-outs in Spain and Finland which have now been completed, delivered profitable contributions in 2023.

We continued to see good demand for our digital offering and, excluding Poland, year-on-year customer lending showed strong growth of 9%, with the Baltics, Mexico and Australia all performing well. Lending in Poland reduced by 34% as we transition to the new lower total cost of credit cap and affordability rules in this market. For the division as a whole, IPF Digital's customer lending in 2023 was therefore down by 3% year on year. We expect IPF Digital to return to good lending growth in 2024.

We continued to execute our growth strategy to rebuild receivables to gain scale and deliver our target returns, and this resulted in a 6% year-on-year increase in closing net receivables to £223m (at CER) at the end of 2023. Excluding Poland, receivables growth was very strong in Mexico, Australia and the Baltics at 18%, which contrasted with a contraction in Poland of 25%. Customer numbers ended the

year at 223,000. Mexico, Australia and the Baltics delivered good growth, which was offset by Poland where, as expected, customer numbers reduced by 26%.

The revenue yield reduced by 1.5 ppts to 43.9% (2022: 45.4%). This reflects the impact of a combination of factors including: (i) the flow through of a tighter rate cap in Latvia in 2022; (ii) the reduction in higher yielding Finland and Spain receivables during the collect-outs, which are now complete; (iii) the impact of the lower total cost of credit cap in Poland; and (iv) the growth in Australia, which is relatively lower yielding. These adverse variances have been offset partly by the growth in Mexico which has a higher revenue yield.

Customer repayment performance has remained robust in all our digital operations and portfolio quality is very good. The impairment rate showed an expected increase year on year from 10.1% to 11.6% due mainly to the growth in lending in Mexico which carries a higher impairment rate, as well as the rundown of the Finland and Spain receivables portfolios, which incurred minimal impairment as it has already been accounted for up front under IFRS 9.

Although we continued to invest in developing our product offering and marketing to attract new customers and build scale, tight control on expenditure delivered a 4.5% (at CER) reduction in costs year on year and this was reflected in the cost-income ratio which decreased significantly by 5.2 ppts to 52.0% (2022: 57.2%). We expect the cost-income ratio to further improve as we continue to rebuild the business and benefit from economies of scale. As a fully digital business, we are targeting a cost-income ratio of around 45% in the medium term.

IPF Digital's RoRE improved by 0.7 ppts year on year to 7.6% (2022: 6.9%) reflecting good growth and strong operational discipline notwithstanding the adverse impact of the reduction in returns within Poland. Although IPF Digital has lower scale than we would wish following Covid-19 and the closure of Finland and Spain, there are strong organic growth opportunities in our existing markets, particularly Mexico, Australia and in Poland as we rebuild the business. We will also continue to consider inorganic opportunities to deliver scale and increase returns to our target levels.

Our focus in IPF Digital in 2023 has been on increasing automation, expanding our mobile wallet proposition, maintaining tight credit standards and concluding the collect-outs and closures of Finland and Spain. Following strong execution, we now have a very solid foundation for delivering significant growth in 2024 as we extend the reach of our mobile wallet in the Baltics, Mexico and, in due course, Australia. We also expect our Polish digital business to stabilise in 2024 and we have recently transferred a nascent digital business in the Czech Republic from European home credit into IPF Digital which represents another exciting growth opportunity. We plan to extend our range of value-added services to IPF Digital customers, following the recent launch of a new employment protection insurance product in the Baltics, and continue our tests to provide point-of-sale revolving credit facilities following the launch of a new Pay Later product in Mexico in late 2023.

Taxation

The pre-exceptional taxation charge on the profit for 2023 is £31.9m, which represents an effective rate for the year of approximately 38% (2022: 40%). The lower tax rate in 2023 reflects a number of disparate elements, including a positive tax ruling in Poland which secured an element of bad debt tax relief arising on loans issued since our Polish business changed its regulatory status at the start of 2022. We expect the effective tax rate to return to around 40% in 2024.

Consistent with 2022, the 2023 results reflect an exceptional tax charge of £4m (2022: exceptional tax credit of £10.5m, which was stated net of a £5.1m tax charge in respect of Hungary) relating to the "extra profit special tax" implemented by the Hungarian government in 2022 and chargeable on the financial sector including non-bank financial institutions. The tax has been extended by one further year, and a further exceptional tax charge of £2m is expected to arise in 2024.

Funding and balance sheet

We continue to maintain a very conservatively capitalised balance sheet and diversified funding position.

Despite the difficult macroeconomic backdrop, we successfully extended around £146m of debt facilities in 2023, including £84m of bank facilities and the issue of £62m of bonds, including: (i) a PLN 72m (£15m) 3-year floating rate Polish bond issued in October; (ii) an €11.6m (£10m) 3-year Hungarian bond at a fixed coupon of 11.5%; (iii) a £25m 4-year UK retail bond at a coupon of 12% issued in December; and (iv) the issue of £12m of retail bonds held in treasury. The debt maturity profile of the Group stands at 2.0 years, with over £170m of debt funding now maturing beyond 2025.

At the end of December, the Group had total debt facilities of £629m, comprising £433m of bonds and £196m of bank facilities. Our borrowings stood at £516m and, together with undrawn facilities and non-operational cash balances, the Group's headroom on debt facilities amounted to £126m at the end of 2023. The Group's current funding capacity together with strong business cash generation, is expected to meet our funding requirements into the first half of 2025. We note the improvement in market conditions as we actively explore options to refinance the Eurobond due in November 2025 together with our advisors. A range of debt refinancing options are available to the Group, and we expect to continue to engage with fixed income investors in 2024.

The Group's gearing ratio was 1.0 times (2022: 1.2 times) at the end of the year, comfortably within our covenant limit of 3.75 times, and our interest cover was 2.5 times (2022: 2.3 times), compared with our covenant of 2.0 times.

Our blended cost of funding in 2023 was 14.0%, up from 13.3% in 2022. This increase was due to a significant step-up in interest rates across our markets which resulted in higher costs of bank funding and the cost of hedging. Our hedging policy is to match our local currency receivables with borrowings in the same denomination to provide certainty of cashflows and avoid significant volatility in the income statement from movements in exchange rates. Accordingly, our borrowings denominated in sterling and euros are swapped through forward contracts into local currency when we onward lend to our markets. As a result, the margins on our sterling and euro-denominated bonds are effectively added to the local base rate for determining the cost of funding for that market. We anticipate a further increase in the overall Group cost of funding in 2024 as we refinance maturing fixed interest rate funding.

Our credit ratings remained unchanged in 2023. We have a long-term credit rating of BB- (Outlook Stable) from Fitch Ratings and Ba3 (Outlook Stable) from Moody's Investors Services.

At the end of 2023, the Group's equity to receivables ratio was 56% (2022: 51%) and this compares with our target of 40%. Notwithstanding the Group's returns being below the lower target threshold of 15% and the dividend pay-out ratio in excess of 40%, the ratio has increased during the year due to: (i) foreign exchange gains of £23m (2022: £42m) being credited to reserves in the year; and (ii) minimal receivables growth of 2.8% compared with up to 10% in the financial model. Excluding the benefit from exchange gains of £65m over the last two years, the equity to receivables ratio would have been around 49% at the end of 2023.

International Personal Finance plc

Consolidated income statement for the year ended 31 December

	Notes	**2023 £m**	2022 £m
Revenue	4	**767.8**	645.5
Impairment	4	**(169.4)**	(106.7)
Revenue less impairment		**598.4**	538.8
Interest expense	5	**(76.9)**	(68.1)
Other operating costs		**(128.7)**	(121.5)
Administrative expenses		**(308.9)**	(271.8)
Total costs		**(514.5)**	(461.4)
Profit before taxation	4	**83.9**	77.4
Pre-exceptional tax income/(expense)			
– UK		**0.7**	0.1
– Overseas		**(32.6)**	(31.2)
Pre-exceptional tax expense	6	**(31.9)**	(31.1)
Profit after pre-exceptional taxation		**52.0**	46.3
Exceptional tax (expense) / income	6, 9	**(4.0)**	10.5
Profit after taxation attributable to owners of the Company		**48.0**	56.8

Earnings per share - statutory

	Notes	**2023 pence**	2022 pence
Basic	7	**21.5**	25.6
Diluted	7	**20.2**	24.3

Earnings per share - pre-exceptional items

	Notes	**2023 pence**	2022 pence
Basic	7	**23.2**	20.8
Diluted	7	**21.9**	19.8

The notes to the financial information are an integral part of this consolidated financial information.

Consolidated statement of comprehensive income for the year ended 31 December

	2023 **£m**	2022 £m
Profit after taxation attributable to owners of the Company	**48.0**	56.8
Other comprehensive income/(expense)		
Items that may subsequently be reclassified to income statement:		
Exchange gains on foreign currency translations	**22.8**	41.8
Net fair value gains/(losses) – cash flow hedges	**0.1**	(2.3)
Tax credit on items that may be reclassified	**-**	0.8
Items that will not subsequently be reclassified to income statement:		
Actuarial gains/(losses) on retirement benefit obligation	**3.9**	(3.8)
Tax (charge)/credit on items that will not be reclassified	**(1.0)**	0.9
Other comprehensive income net of taxation	**25.8**	37.4
Total comprehensive income for the year attributable to owners of the Company	**73.8**	94.2

The notes to the financial information are an integral part of this consolidated financial information.

Balance sheet as at 31 December

	Notes	**2023 £m**	2022 £m
Assets			
Non-current assets			
Goodwill	10	**23.6**	24.2
Intangible assets	11	**32.3**	27.9
Property, plant and equipment	12	**16.0**	17.3
Right-of-use assets	13	**21.7**	19.3
Amounts receivable from customers	15	**203.3**	212.2
Deferred tax assets	14	**131.7**	138.5
Retirement benefit asset	18	**6.1**	2.1
		434.7	441.5
Current assets			
Amounts receivable from customers	15	**689.6**	656.6
Derivative financial instruments	17	**2.9**	4.5
Cash and cash equivalents		**42.5**	50.7
Other receivables		**16.0**	16.2
Current tax assets		**3.3**	1.6
		754.3	729.6
Total assets		**1,189.0**	1,171.1
Liabilities			
Current liabilities			
Borrowings	16	**(52.2)**	(71.8)
Derivative financial instruments	17	**(4.4)**	(4.6)
Trade and other payables		**(132.9)**	(122.2)
Provisions for liabilities and charges	19	**-**	(4.7)
Lease liabilities	13	**(8.3)**	(7.2)
Current tax liabilities		**(7.3)**	(18.3)
		(205.1)	(228.8)
Non-current liabilities			
Deferred tax liabilities	14	**(7.1)**	(5.9)
Lease liabilities	13	**(15.3)**	(14.2)
Borrowings	16	**(459.6)**	(477.0)
		(482.0)	(497.1)
Total liabilities		**(687.1)**	(725.9)
Net assets		**501.9**	445.2
Equity attributable to owners of the Company			
Called-up share capital		**23.4**	23.4
Other reserve		**(22.5)**	(22.5)
Foreign exchange reserve		**32.0**	9.2
Hedging reserve		**0.2**	0.1
Own shares		**(36.7)**	(43.3)
Capital redemption reserve		**2.3**	2.3
Retained earnings		**503.2**	476.0
Total equity		**501.9**	445.2

The notes to the financial information are an integral part of this consolidated financial information.

Statement of changes in equity

	Called-up share capital £m	Other reserve £m	Other reserves* £m	Retained earnings £m	Total equity £m
At 1 January 2022	23.4	(22.5)	(75.3)	441.5	367.1
Comprehensive income:					
Profit after taxation for the year	-	-	-	56.8	56.8
Other comprehensive income/(expense):					
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	-	-	-	(3.8)	(3.8)
Tax credit on other comprehensive income	-	-	0.8	0.9	1.7
Total other comprehensive income/(expense)	-	-	40.3	(2.9)	37.4
Total comprehensive income for the year	-	-	40.3	53.9	94.2
Transactions with owners:					
Share-based payment adjustment to reserves	-	-	-	3.2	3.2
Shares acquired by employee trust	-	-	(0.4)	-	(0.4)
Shares granted from treasury and employee trust	-	-	3.7	(3.7)	-
Dividends paid to Company shareholders	-	-	-	(18.9)	(18.9)
At 31 December 2022	23.4	(22.5)	(31.7)	476.0	445.2
At 1 January 2023	**23.4**	**(22.5)**	**(31.7)**	**476.0**	**445.2**
Comprehensive income:					
Profit after taxation for the year	-	**-**	**-**	**48.0**	**48.0**
Other comprehensive income/(expense):					
Exchange gains on foreign currency translation	**-**	**-**	**22.8**	**-**	**22.8**
Net fair value gains – cash flow hedges	-	**-**	**0.1**	**-**	**0.1**
Actuarial gain on retirement benefit obligation	-	-	**-**	**3.9**	**3.9**
Tax charge on other comprehensive income	-	-	**-**	**(1.0)**	**(1.0)**
Total other comprehensive income	**-**	**-**	**22.9**	**2.9**	**25.8**
Total comprehensive income for the year	**-**	**-**	**22.9**	**50.9**	**73.8**
Transactions with owners:					
Share-based payment adjustment to reserves	**-**	**-**	**-**	**4.3**	**4.3**
Deferred tax on share-based payment transactions	**-**	**-**	**-**	**0.5**	**0.5**
Shares acquired by employee trust	**-**	**-**	**(0.4)**	**-**	**(0.4)**
Shares granted from treasury and employee trust	**-**	**-**	**7.0**	**(7.0)**	**-**
Dividends paid to Company shareholders	**-**	**-**	**-**	**(21.5)**	**(21.5)**
At 31 December 2023	**23.4**	**(22.5)**	**(2.2)**	**503.2**	**501.9**

* Includes foreign exchange reserve, hedging reserve, capital redemption reserve and amounts paid to acquire shares held in treasury and by employee trust.

Cash flow statement for the year ended 31 December	**2023** **£m**	2022 £m
Cash flows from operating activities		
Cash generated from operating activities	**193.4**	58.8
Finance costs paid	**(74.5)**	(65.2)
Income tax (paid)/received	**(33.1)**	5.5
Net cash generated from/(used in) operating activities	**85.8**	(0.9)
Cash flows from investing activities		
Purchases of intangible assets	**(17.9)**	(14.7)
Purchases of property, plant and equipment	**(4.7)**	(9.1)
Proceeds from sale of property, plant and equipment	**-**	0.3
Net cash used in investing activities	**(22.6)**	(23.5)
Net cash generated from/(used in) operating and investing activities	**63.2**	(24.4)
Cash flows from financing activities		
Proceeds from borrowings	**48.1**	99.3
Repayment of borrowings	**(87.3)**	(43.6)
Principal elements of lease payments	**(12.0)**	(9.2)
Shares acquired by employee trust	**(0.4)**	(0.4)
Cash received on share options exercised	**0.4**	-
Dividends paid to Company shareholders	**(21.5)**	(18.9)
Net cash (used in)/generated from financing activities	**(72.7)**	27.2
Net (decrease)/increase in cash and cash equivalents	**(9.5)**	2.8
Cash and cash equivalents at beginning of year	**50.7**	41.7
Exchange gains on cash and cash equivalents	**1.3**	6.2
Cash and cash equivalents at end of year	**42.5**	50.7

1. Basis of preparation

The financial information, which comprises the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and related notes, is derived from the full Group Financial Statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. It does not constitute full Financial Statements within the meaning of section 434 of the Companies Act 2006.

Statutory Financial Statements for the year ended 31 December 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's annual general meeting. The auditor has reported on those Financial Statements: its reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing this financial information (see note 24 for further details).

The accounting policies used in completing this financial information have been consistently applied in all periods shown. These accounting policies are detailed in the Group's Financial Statements for the year ended 31 December 2023 which can be found on the Group's website (www.ipfin.co.uk).

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2023 but do not have any material impact on the Group:

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17);
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements – Disclosure of Accounting Policies';
- Amendments to IAS 12 'Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction';
- Amendments to IAS 12 'Income Taxes – International Tax Reform – Pillar Two Model Rules'*; and
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates'.

*The Group has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group:

- 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 'Non-current Liabilities with Covenants';
- Amendments to IAS 1 and IFRS 7 'Supplier Finance Agreements'; and
- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback'.

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 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 effective interest rate (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 (2022: 3%), it is estimated that the amounts receivable from customers would be higher/lower by £9.7m (2022: £8.7m). 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 overlays 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 2023, this adjustment was a reduction in receivables of £9.0m (2022: reduction of £11.6m).

Post model overlays (PMOs) on amounts receivable from customers

2023	**Cost-of-living PMO £m**	**Hungary moratorium PMO £m**	**Poland non-interest PMO £m**	**Total PMOs £m**
Home credit	**11.9**	**2.1**	**6.0**	**20.0**
IPF Digital	**3.2**	**–**	**–**	**3.2**
Group	**15.1**	**2.1**	**6.0**	**23.2**

2022	Cost-of-living PMO £m	Hungary moratorium PMO £m	Poland non-interest 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

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. PMOs have been established and based on management's current expectations the impact of these PMOs was to increase impairment provisions at 31 December 2023 by a further £15.1m (2022: £20.6m). The reduction in the year reflects strong credit quality and operational execution as well as an improvement in inflation rates in the Group's markets. 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 £7.5m to £18.9m. This represents management's current assessment of a reasonable range of impacts that the cost-of-living crisis may have on the Group's customer receivables, however given the levels of uncertainty in this area, the impacts (if any) may be greater or lower than the range determined.

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 2023 by £2.1m (2022: £4.3m). 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.

In late February 2024, we received a letter from the KNF issued to all regulated lenders operating in the Polish credit card market setting out its current expectations on how charging practices for credit cards should be subject to limits on non-interest costs, the need to differentiate between different costs charged by credit card issuers which are subject to caps and those fees which are not subject to a cap and lastly how issuers should approach more broadly the question of calculating and assessing fees which are not subject to specific legal limits (see Regulatory update). Based on the expectations set out in the letter, management has performed an assessment of the expected future cashflows from the Polish credit card receivables book at the 31 December 2023 and determined that a PMO of £6.0m is necessary. This represents management's best estimate of a reasonable outcome after discounting the expected cashflows at the original effective interest rate.

Accounting for credit card receivables

As at December 2023, the company does not yet have sufficient historical credit card data in order to calculate an expected loss provision for the credit card receivables portfolio. The credit card receivables portfolio is behaving similarly to the instalment loan portfolio in Poland, and consequently parameters from the instalment loan portfolio have been used to calculate an expected loss provision and value the credit card receivables portfolio. Based on a 10% variation in expected loss parameters, it is estimated that the amounts receivable from customers would be higher/lower by £1.1m.

Polish regulatory communication

The Regulatory update section of this report refers to a letter that the KNF (the Polish supervision authority) sent to all regulated lenders operating in the Polish credit card market setting out its current expectations on how charging practices for credit cards should be subject to limits on non-interest costs. It is currently not possible to predict the ultimate impacts of the letter, including the scope or nature of any remediation requirements. See note 22 for a contingent liability note on this matter.

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.

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 50 to 54 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. Principal risks and uncertainties

In accordance with the Companies Act 2006, a description of the principal risks and uncertainties (and the mitigating factors in place in respect of these) is included below. Effective management of risks, uncertainties and opportunities is critical to our business in order to deliver long-term shareholder value and protect our people, assets and reputation. We manage risk strategically using the enterprise risk management (ERM) methodology. This enables us to identify, evaluate, manage, monitor and report on a wide range of risks, uncertainties and opportunities across the Group in an integrated way. Risk appetite is a core consideration within our ERM approach and plays an important role in addressing the Group's key risks effectively. The way we implement risk management also supports our understanding and ability to address our capacity to sustain risk over time, ensure risks are considered in decision-making across the Group and enable the Board to perform its supervisory role.

Risk environment	
↑	Risk environment improving
↔	Risk environment remains stable
↓	Risk environment worsening

1. Credit risk ↔

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

Impact

Following a challenging start to 2023 due to high energy costs and double-digit inflation in the majority of our markets, the economic environment stabilised during the summer. We have seen no discernible impact of the cost-of-living crisis on customer repayment performance, credit losses are in line with our expectations, and the impairment rate at the year-end of 12.2% is within our risk appetite.

Overall, the Group performed very well in 2023 although there was increasing pressure on customer affordability towards the end of the year.

The transformation of our business in Poland to offer credit cards increased the inherent credit risk but good execution has resulted in customer repayments being in line with expectations and tracking similarly to instalment loans.

We remain cautious about the macroeconomic landscape and credit standards remain tight, and we are ready to react if we become concerned that the environment is deteriorating.

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.
- Further tightening of lending rules as necessary, to protect customers and the quality of the portfolio.
- Careful regular assessment of the external environment.
- Ensuring repayments and arrears management activities remain a key part of customer representative and field management incentive schemes.

2. Future legal and regulatory development risk (previously regulatory risk) ↓ The risk that the Group suffers loss as a result of a new or a change in existing legislation or regulation.
Impact The second EU Consumer Credit Directive came into effect in Q4 2023 and is expected to be transposed in all our EU markets within two years. The key areas of change relevant to the Group include rules on pre-contractual information, creditworthiness assessments and underwriting, training and consumer protection. The Digital Operational Resilience Act (DORA) and the Sustainability Reporting Directive also came into force and plans are in place to deal with these impacts, including strengthening the operational risk management framework and sustainability reporting. In response to new affordability regulations that came into force in Poland in May 2023, we deployed new processes and technology to assess customers in line with the new rules. IPF Digital introduced systems to comply with the Payment Services Directive 2 (PSD2) ensuring customer authentication processes. The implementation of credit regulations in Poland resulted in the Group's businesses in this market being regulated by the Polish financial supervision authority, KNF, from 1 January 2024. We continue to engage with the KNF, as they assess our application for a full payment institution licence which will enable our Polish business to issue a greater volume of credit cards in Poland. In late February 2024, we received a letter from the KNF issued to all regulated lenders operating in the Polish credit card market setting out its current expectations on how charging practices for credit cards should be subject to limits on non-interest costs, the need to differentiate between different costs charged by credit card issuers which are subject to caps and those fees which are not subject to a cap and lastly how issuers should approach more broadly the question of calculating and assessing fees which are not subject to specific legal limits. In the first quarter of 2024, the Prime Minister of Romania announced plans to prioritise implementing price caps on loans from Non-Banking Financial Institutions (NBFIs) in the upcoming parliamentary session. A more regulated and unified financial system may develop across European markets in future.
How it is managed - Horizon–scanning, monitoring political, legislative and regulatory developments and risks. - Engagement with regulators, legislators, politicians and other stakeholders. - Active participation in relevant sector associations. - Contingency plans in place for significant regulatory changes.

3. Funding, liquidity, market and counterparty risk ↑ The risk of insufficient availability of funding, unfavourable pricing, or that performance is impacted significantly by interest rate or currency movements, or failure of a banking counterparty.
Impact The uncertain global macroeconomic landscape, a banking crisis and the wars in Ukraine and the Middle East impacted debt capital markets and investor confidence negatively in 2023. However, the Group maintained a robust funding and liquidity position throughout the year, extending bank facilities of £84m and successfully securing £62m of new funding. Our credit ratings remained unchanged in 2023. We have a long-term credit rating of BB- (Outlook stable) from Fitch Ratings and Ba3 (Outlook stable) from Moody's Investor Services. Although high inflation and interest rates, supply chain disruptions and the wars continue to impact market sentiment, the landscape has improved since Q4 2023 with headline inflation reducing in many of our territories and interest rates expected to decrease going forward. For further information on funding see the financial review.
How it is managed Board-approved policies require us to maintain a resilient funding position with a good level headroom on undrawn bank facilities, appropriate hedging of market risk, and appropriate limits to counterparty risk. - Compliance with these policies is monitored on a monthly basis by the Group's Treasury Committee which is chaired by the Chief Financial Officer. - The Board receives a comprehensive funding and liquidity overview as part of the Chief Financial Officer's report. - The Group's funding and liquidity is managed centrally by the Group Treasurer and qualified treasury personnel. - The Group sets cash management controls for operating markets that are subject to independent annual testing.

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 High inflation, increasing energy costs and lower GDP growth in our markets resulted in negative sentiment towards the financial sector. In addition, the financial sector is likely to remain under scrutiny and challenge in the run-up to elections in a number of our markets in 2024. We maintain strong relationships with key stakeholders to develop their understanding of our business model, our purpose and role in society, and how we deliver services to our customers. We also maintain dialogue with customers to enable continued access to credit and offer repayment support, where appropriate. Our working practices are subject to tight control and oversight to ensure our products and services are in line with legislation and customer expectations. This helps protect the business from unforeseen events that could damage our reputation. In 2023, we received awards recognising our business as a top employer, our high standards of customer experience and for being a socially responsible business.
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 failure to comply with tax legislation or adoption of an interpretation of the law which cannot be sustained together with the risk of a higher future tax burden.

Impact

We have seen a slight increase in tax rates going forward across various markets, including an extension to the Hungarian extra profits special tax to 2024 and increases in the tax rates in the Czech Republic to 21% from 2024 and Estonia to 22% from 2025. We continued to monitor international tax developments during the year, including the EU's DEBRA and BEFIT proposals, and the implementation of the directive on public country-by-country reporting. In addition, UK legislation applying the Pillar Two income tax rules was enacted during 2023, effective from 2024. An impact assessment has been performed and we do not expect the Group to incur any material Pillar Two top-up tax liabilities. However, given the uncertainty regarding forecast financial data and the potential for future changes in the tax environment in the markets in which the Group operates, the actual impact of the Pillar Two legislation in the future may differ.

As at the end of 2023, the Group had ongoing tax audits in Mexico (home credit entity for 2017 and digital entity for 2019).

For further information see the financial review.

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 Policy.
- Binding rulings or clearances are obtained from authorities where appropriate.
- Appropriate oversight at Board level over taxation matters.

6. Change management risk ↑

The risk that the Group suffers losses or fails to optimise profitable growth resulting from change initiatives failing to deliver to agreed scope, time, cost and quality measures, or failing to realise desired benefits.

Impact

Effectively managing change and transformation risk is crucial for minimising negative financial impacts, maintaining employee engagement, ensuring successful adaptation to evolving business needs and maximising transformation benefits.

We continue to run a large and complex change agenda across the Group, driven by three factors:

i. regulatory-driven change, which is unpredictable and might have a significant business impact if not addressed and prioritised;
ii. migration to 'Next Gen' platforms that mitigate technology debt or end-of-life risk; and
iii. business-driven changes which reflect wider strategic priorities across the Group, focused largely on improving business performance.

Despite the challenging macroeconomic environment and regulatory challenges, we have taken significant positive actions to prioritise and control the change portfolio, deliver the planned benefits, and run the change 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 including:
  - alignment with Investment Appraisal Policy, owned by the finance function; and
  - a Group change capability being established in 2024, focused on synergy and consistency across the Group, and agreeing a Group-wide approach for oversight of change and transformation.

7. Product proposition risk ↑

The risk of failure to offer appropriate products in response to market trends (e.g. customer needs or the macroeconomic, regulatory or competitive landscape) results in a lack of profitable growth.

Impact

All our markets continue to be competitive, but we saw banks tightening their underwriting as the effects of high inflation impacted consumers' disposable income. We also saw some competition being impacted by both caution in capital markets and increasing regulation. We believe that non-bank financial institutions will remain a crucial source of finance for lower-income, underserved consumers, and we will continue to focus on serving more customers in this demographic while maintaining lending quality.

In response to the competitive landscape and aligned with our strategy, we made significant improvements to the control environment and strengthened our Product Policy and Oversight Committee. In addition, we increased our focus on delivering positive impacts on customers as well as financial returns.

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

A proactive approach to technology risk management is essential for maintaining the currency and capabilities of the Group in an increasingly digital landscape.

The focus in 2023 was on 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 close to completion. In addition, good progress was made to move away from a federated set of physically-hosted data centres to 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.
- Appointment of a new Group Chief Information Officer.

9. People risk ↔

The risk that achievement of the long-term Group strategy, and operational results is impacted due to not having sufficient capacity (number) and capability (quality), or an inability to either recruit external talent or retain and engage our people.

Impact

The challenging macroeconomic environment has had some impact on the turnover of customer representatives, and we are experiencing a return to more "normal" turnover rates post-pandemic. We take actions constantly to retain, develop and engage customer representatives to minimise impacts on the customer experience or the Group's performance.

Throughout 2023, we continued our global programme to re-engineer our customer representative employee value proposition (EVP) and engaged with our colleagues through dedicated forums and our Global People Survey, a culture monitoring tool.

How it is managed

Our human resources control environment identifies key people risks and controls to mitigate them covering:

- monitoring and action with regards to key people risks and issues; and
- appropriate distribution of strategy-aligned objectives.

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.

10. Information security and cyber risk ↔

The risk that the Group suffers loss, theft or corruption of information leading to breaches of relevant regulation, loss of reputation, loss of commercial advantage or other impacts on customers and colleagues. The risk that Group infrastructure, platforms and applications are compromised or damaged such that customers and colleagues cannot use or access our products and services.

Impact

We continued to deliver our three-year information security strategy that aims to detect and respond to security breaches in a timely and reliable way, as well as having appropriate recovery arrangements in place. However, the risk is highly dependent on the behaviour of people and advancements in technology.

Globally, the emerging threat of AI, which can facilitate a range of cyber attacks, is significant and we are addressing it through appropriate web and device protection, controlling access to company networks and delivering awareness training and education.

The number of attacks is substantial; however, we have addressed them in alignment with controls defined in our three-year information security strategy, with no major information security incident leading to identified loss and no reportable breach.

How it is managed

- Group-wide information security strategy in place and information security awareness training conducted regularly.
- European home credit information security committee oversees our approach.
- Working group and guidelines established to oversee the safe and ethical use of AI.
- A DORA programme is in place to comply with new European regulations.

3. Related parties

The Group has not entered into any material transactions with related parties during the year ended 31 December 2023.

4. Segmental analysis

Geographical segments

	2023 **£m**	2022 £m
Revenue		
European home credit	**379.7**	317.5
Mexico home credit	**261.6**	210.9
IPF Digital	**126.5**	117.1
Revenue	**767.8**	645.5
Impairment		
European home credit	**39.4**	5.2
Mexico home credit	**96.7**	75.5
IPF Digital	**33.3**	26.0
Impairment	**169.4**	106.7
Profit before taxation		
European home credit	**65.1**	65.6
Mexico home credit	**23.1**	17.7
IPF Digital	**10.7**	8.8
Central costs*	**(15.0)**	(14.7)
Profit before taxation	**83.9**	77.4

*Although central costs are not classified as a separate segment in accordance with IFRS 8 'Operating segments', they are shown separately above in order to provide reconciliation to profit before taxation.

	2023 **£m**	2022 £m
Segment assets		
European home credit	**567.0**	590.3
Mexico home credit	**291.2**	255.6
IPF Digital	**252.0**	248.4
UK	**78.8**	76.8
Total	**1,189.0**	1,171.1
Segment liabilities		
European home credit	**(289.7)**	(348.8)
Mexico home credit	**(134.3)**	(124.2)
IPF Digital	**(132.1)**	(123.4)
UK	**(131.0)**	(129.5)
Total	**(687.1)**	(725.9)

4. Segmental analysis (continued)

	2023	2022
	£m	£m
Expenditure on intangible assets (note 11)		
European home credit	**-**	-
Mexico home credit	**-**	-
IPF Digital	**5.4**	5.0
UK	**12.5**	9.7
Total	**17.9**	14.7

	2023	2022
	£m	£m
Amortisation (note 11)		
European home credit	**-**	-
Mexico home credit	**-**	-
IPF Digital	**4.5**	4.0
UK	**8.6**	8.6
Total	**13.1**	12.6

	2023	2022
	£m	£m
Capital expenditure (note 12)		
European home credit	**1.3**	7.0
Mexico home credit	**3.1**	1.8
IPF Digital	**0.3**	0.3
UK	**-**	-
Total	**4.7**	9.1

	2023	2022
	£m	£m
Depreciation (note 12)		
European home credit	**3.8**	4.2
Mexico home credit	**2.0**	1.5
IPF Digital	**0.3**	0.3
UK	**0.4**	0.2
Total	**6.5**	6.2

5. Interest expense

	2023	2022
	£m	£m
Interest payable on borrowings	**74.8**	66.5
Interest payable on lease liabilities	**2.1**	1.6
Interest expense	**76.9**	68.1

6. Tax expense

The pre-exceptional taxation charge on the profit for 2023 is £31.9 million, which represents an effective tax rate for the year of approximately 38% (2022: 40%). The lower tax rate in 2023 reflects a number of disparate elements, including a positive tax ruling in Poland which secured an element of bad debt tax relief arising on loans issued since our Polish business changed its regulatory status at the start of 2022. We expect the effective tax rate to return to around 40% in 2024.

Consistent with 2022, the 2023 results reflect an exceptional tax charge of £4.0m (2022: exceptional tax credit of £10.5m (see note 9), which was stated net of a £5.1m tax charge in respect of Hungary) relating to the "extra profit special tax" implemented by the Hungarian government in 2022 and chargeable on the financial sector including non-bank financial institutions. The tax has been extended by one further year, and a further exceptional tax charge of £2m is expected to arise in 2024.

The Group is subject to tax audits in respect of the Mexican home credit business (regarding 2017) and the Mexican digital business (regarding 2019).

7. Earnings per share

	2023 pence	2022 pence
Basic EPS	**21.5**	25.6
Dilutive effect of awards	**(1.3)**	(1.3)
Diluted EPS	**20.2**	24.3

Basic earnings per share (EPS) is calculated by dividing the profit attributable to shareholders of £48.0m (2022: £56.8m) by the weighted average number of shares in issue during the period of 223.7m which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (2022: 222.2m).

	2023 pence	2022 pence
Basic pre-exceptional EPS	**23.2**	20.8
Dilutive effect of awards	**(1.3)**	(1.0)
Diluted pre-exceptional EPS	**21.9**	19.8

Basic pre-exceptional EPS is calculated by dividing the pre-exceptional profit attributable to shareholders of £52.0m (2022: £46.3m) by the weighted average number of shares in issue during the period of 223.7m which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust (2022: 222.2m).

For diluted EPS the weighted average number of shares has been adjusted to 237.5m (2022: 234.0m) to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

8. Dividends

Dividend per share

	2023 pence	2022 pence
Interim dividend	**3.1**	2.7
Final proposed dividend	**7.2**	6.5
Total dividend	**10.3**	9.2

Dividends paid

	2023 £m	2022 £m
Interim dividend of 3.1 pence per share (2022: interim dividend of 2.7 pence per share)	**6.9**	6.0
Final 2022 dividend of 6.5 pence per share (2022: final 2021 dividend of 5.8 pence per share)	**14.6**	12.9
Total dividends paid	**21.5**	18.9

Based on the leadership's successful execution of our growth strategy, the Board is pleased to declare a final dividend of 7.2 pence per share, bringing the full-year dividend to 10.3 pence per share (2022: 9.2 pence). Subject to shareholder approval, the final dividend will be paid on 11 May 2024 to shareholders on the register at the close of business on 12 April 2024. The shares will be marked ex-dividend on 11 April 2024.

9. Exceptional items

The 2023 income statement includes an exceptional tax loss of £4.0m (2022: exceptional gain of £10.5m) which comprises the following items:

	2023 £m	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	**(4.0)**	(5.1)
Exceptional tax items	**(4.0)**	10.5

Further information relating to the exceptional tax items is shown on page 18.

10. Goodwill

	2023 £m	2022 £m
Net book value at 1 January	**24.2**	22.9
Exchange adjustments	**(0.6)**	1.3
Net book value at 31 December	**23.6**	24.2

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 13% (2022: 12%) and would need to increase to 15% for the goodwill balance to be impaired. The cash flow forecasts arise over a 4 year period (being the expected life of the legacy MCB business's outstanding customer receivables) and would need to be 14% lower than currently estimated for the goodwill balance to be impaired.

11. Intangible assets

	2023	2022
	£m	£m
Net book value at 1 January	**27.9**	25.2
Additions	**17.9**	14.7
Impairment	**(0.2)**	-
Amortisation	**(13.1)**	(12.6)
Exchange adjustments	**(0.2)**	0.6
Net book value at 31 December	**32.3**	27.9

Intangible assets comprise computer software and are a mixture of self-developed and purchased assets. All purchased assets have had further capitalised development on them, meaning it is not possible to disaggregate fully between the relevant intangible categories.

12. Property, plant and equipment

	2023	2022
	£m	£m
Net book value at 1 January	**17.3**	13.8
Exchange adjustments	**0.6**	0.8
Additions	**4.7**	9.1
Disposals	**(0.1)**	(0.2)
Depreciation	**(6.5)**	(6.2)
Net book value at 31 December	**16.0**	17.3

As at 31 December 2023, the Group had £6.7m of capital expenditure commitments contracted with third parties that were not provided for (2022: £4.5m).

13. Right-of-use assets and lease liabilities

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

Right-of-use assets

	2023	2022
	£m	£m
Net book value at 1 January	**19.3**	17.7
Exchange adjustments	**0.9**	1.4
Additions	**9.8**	8.8
Modifications	**1.4**	(0.1)
Depreciation	**(9.7)**	(8.5)
Net book value at 31 December	**21.7**	19.3

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

	2023	2022
	£m	£m
Properties	**11.0**	13.6
Motor vehicles	**10.7**	5.7
Total right-of-use assets	**21.7**	19.3

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

Lease liability

	2023	2022
	£m	£m
Lease liability at 1 January	**21.4**	18.7
Exchange adjustments	**0.9**	1.6
Additions	**11.2**	8.7
Interest	**2.1**	1.6
Lease payments	**(12.0)**	(9.2)
Lease liability at 31 December	**23.6**	21.4
Analysed as:		
Current	**8.3**	7.2
Non-current:		
- between one and five years	**13.7**	12.2
- greater than five years	**1.6**	2.0
	15.3	14.2
Lease liability at 31 December	**23.6**	21.4

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 2023 was 10.1% (2022: 8.9%).

The amounts recognised in profit and loss are as follows:

	2023	2022
	£m	£m
Depreciation on right-of-use assets	**9.7**	8.5
Interest expense on lease liabilities	**2.1**	1.6
Expense relating to leases of short-term leases	**1.7**	1.2
Amounts recognised in profit and loss	**13.5**	11.3

The total cash outflow in the year in respect of lease contracts is £12.0m (2022: £9.4m).

14. 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.

15. Amounts receivable from customers

All lending is in the local currency of the country in which the loan is issued:

	2023	2022
	£m	£m
Polish zloty	**219.7**	278.9
Czech crown	**53.3**	56.1
Euro	**98.1**	90.5
Hungarian forint	**141.2**	125.4
Mexican peso	**229.0**	188.7
Romanian leu	**107.0**	89.1
Australian dollar	**44.6**	40.1
Total receivables	**892.9**	868.8

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average annual effective interest rate of 101% (2022: 99%). All amounts receivable from customers are at fixed interest rates. The average period to maturity of the amounts receivable from customers is 13.2 months (2022: 13.0 months).

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, exposure at default (EAD) 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.

The breakdown of receivables by stage is as follows:

2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total net receivables**
	£m	**£m**	**£m**	**£m**
Home credit	**443.7**	**74.9**	**151.5**	**670.1**
IPF Digital	**206.7**	**9.8**	**6.3**	**222.8**
Group	**650.4**	**84.7**	**157.8**	**892.9**

2022	Stage 1	Stage 2	Stage 3	Total net receivables
	£m	£m	£m	£m
Home credit	439.7	78.9	140.9	659.5
IPF Digital	193.7	9.4	6.2	209.3
Group	633.4	88.3	147.1	868.8

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.

2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total net receivables**
	£m	**£m**	**£m**	**£m**
Gross carrying amount	**799.7**	**159.5**	**441.9**	**1,401.1**
Loss allowance	**(149.3)**	**(74.8)**	**(284.1)**	**(508.2)**
Group	**650.4**	**84.7**	**157.8**	**892.9**

2022	Stage 1	Stage 2	Stage 3	Total net receivables
	£m	£m	£m	£m
Gross carrying amount	782.0	161.8	422.8	1,366.6
Loss allowance	(148.6)	(73.5)	(275.7)	(497.8)
Group	633.4	88.3	147.1	868.8

16. Borrowing facilities and borrowings

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

	2023		2022	
	Borrowings	**Facilities**	Borrowings	Facilities
	£m	**£m**	£m	£m
Repayable:				
– in less than one year	**52.2**	**98.0**	71.8	116.3
– between one and two years	**330.5**	**364.6**	57.1	57.4
– between two and five years	**129.1**	**166.1**	419.9	437.3
	459.6	**530.7**	477.0	494.7
Total borrowings	**511.8**	**628.7**	548.8	611.0

Total undrawn facilities as at 31 December 2023 were £112.2m (2022: £56.8m), excluding £4.7m unamortised arrangement fees and issue discount (2022: £5.4m).

17. Derivative financial instruments

At 31 December 2023 the Group had an asset of £2.9m and a liability of £4.4m (2022: £4.5m asset and £4.6m liability) in respect of foreign currency contracts. Foreign currency contracts are in place to hedge foreign currency cash flows. Where these cash flow hedges are effective, in accordance with IFRS, movements in their fair value are taken directly to reserves.

18. Retirement benefit asset

The amounts recognised in the balance sheet in respect of the retirement benefit obligation are as follows:

	2023	2022
	£m	£m
Diversified growth funds	**1.6**	4.6
Corporate bonds	**7.6**	14.5
Equities	**0.9**	-
Liability driven investments	**19.7**	11.7
Other	**0.6**	0.1
Total fair value of scheme assets	**30.4**	30.9
Present value of funded defined benefit obligations	**(24.3)**	(28.8)
Net asset recognised in the balance sheet	**6.1**	2.1

The credit recognised in the income statement in respect of defined benefit pension costs is £0.1m (2022: £0.1m).

19. Provisions for liabilities and charges

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. In 2022, customer redress provisions of £4.7m represented the Group's best estimate of the costs that are expected to be incurred in relation to early settlement rebates in

Poland (£0.6m) and claims management charges incurred in Spain (£4.1m). All claims were expected to be settled within 12 months of the balance sheet date. No such balances were held in 2023.

20. 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.

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:

	2023		2022	
	Fair value £m	**Carrying value £m**	Fair value £m	Carrying value £m
Financial assets				
Amounts receivable from customers	**1,139.3**	**892.9**	1,111.2	868.8
	1,139.3	**892.9**	1,111.2	868.8
Financial liabilities				
Bonds	**420.8**	**428.2**	358.2	413.7
Bank borrowings	**83.6**	**83.6**	135.1	135.1
	504.4	**511.8**	493.3	548.8

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (as used to calculate the carrying value of amounts due from customers), net of collection costs, at the Group's weighted average cost of capital which we estimate to be 13% (2022: 12%) 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.

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

	2023	2022
	£m	£m
Profit after taxation from operations	**48.0**	56.8
Adjusted for:		
Tax charge	**35.9**	20.6
Finance costs	**76.9**	68.1
Share-based payment charge	**2.7**	2.2
Depreciation of property, plant and equipment (note 12)	**6.5**	6.2
Loss/(profit) on disposal of property, plant and equipment (note 12)	**0.1**	(0.1)
Depreciation of right-of-use assets (note 13)	**9.7**	8.5
Amortisation of intangible assets (note 11)	**13.1**	12.6
Impairment of intangible assets (note 11)	**0.2**	-
Short term and low value lease costs (note 13)	**1.7**	1.2
Changes in operating assets and liabilities:		
Increase in amounts receivable from customers	**(3.8)**	(115.7)
Decrease in other receivables	**0.9**	13.2
Decrease/(increase) in trade and other payables	**4.8**	(3.8)
Change in provisions	**(4.7)**	(0.9)
Change in retirement benefit asset	**(0.1)**	(1.0)
Increase/(decrease) in derivative financial instrument liabilities	**1.5**	(9.1)
Cash generated from operating activities	**193.4**	58.8

22. Contingent liabilities

Poland regulatory communication

In February 2024, we received a letter from the KNF issued to all regulated lenders operating in the Polish credit card market setting out the KNF's views on how existing laws and regulations relating to lending activities should be interpreted by credit card issuers. The letter sets out the KNF's current expectations on how charging practices for credit cards should be subject to limits on non-interest costs, the need to differentiate between different costs charged by credit card issuers which are subject to caps and those fees which are not subject to a cap and lastly how issuers should approach more broadly the question of calculating and assessing fees which are not subject to specific legal limits.

The Group, following legal advice, had previously determined that non-interest cost caps did not apply to credit cards and is therefore reviewing, with the assistance of external counsel, what the impact of this communication might be and whether it constitutes a significant change to the existing approach taken by the Polish regulatory authorities.

It is currently not possible to predict the ultimate impacts of the letter, including the scope or nature of remediation requirements, if any, or any related challenges to the interpretation or validity of the Polish business's application of non-interest costs applied to its credit card portfolio since its launch in the third quarter of 2022.

The KNF's letter was not specific on when any changes would need to be implemented and did not indicate whether any retrospective application would be required. Considering this, alongside the legal advice obtained to date, the Group has not recognised a provision for this matter as at 31 December 2023.

The Group's Polish business has been issuing credit cards since late 2022. Polish credit card receivables of £49m at 31 December 2023 represent just over 5% of the Group's receivables and approximately 25% of overall receivables in Poland.

Other legal actions and regulatory matters
In addition, in the course of its business the Group is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customer representatives, customers, investors or other third parties. This extends to legal and regulatory challenges and investigations (including relevant consumer bodies) combined with tax authorities taking a view that is different to the view the Group has taken on the tax treatment in its tax returns. Where material, such matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established based on management's best estimate of the amount required at the relevant balance sheet date. In some cases, it may not be possible to form a view, for example because the facts are unclear or because further time is needed to assess properly the merits of the case, and no provisions are held in relation to such matters. In these circumstances, specific disclosure in relation to a contingent liability will be made where material (e.g. the recent KNF communication – see above). However, the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

23. Average and closing 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 2023	**Closing 2023**	Average 2022	Closing 2022
Polish zloty	**5.2**	**5.0**	5.5	5.3
Czech crown	**27.9**	**28.5**	28.5	27.2
Euro	**1.1**	**1.2**	1.2	1.1
Hungarian forint	**437.3**	**441.3**	452.3	450.8
Mexican peso	**21.9**	**21.5**	24.6	23.5
Romanian leu	**5.7**	**5.7**	5.8	5.6
Australian dollar	**1.9**	**1.9**	1.8	1.8

The £22.8m exchange gain (2022: gain of £41.8m) on foreign currency translations shown within the 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 2022 and December 2023 shown in the table above.

24. Going concern

In considering whether the Group is a going concern, the Board has taken into account the Group's 2024 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 2026 and include projected profit and loss, balance sheet, cashflows, borrowings, headroom against debt facilities and funding requirements. These forecasts represent the best estimate of the Group's expected performance, and in particular the evolution of customer lending and repayments cashflows.

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, including crystallisation of the contingent liabilities disclosed in note 22. 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 2023, the Group had £126m 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 2.0 years. The total debt facilities as at 31 December 2023 amounted to £629m of which £98m (including £33m 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 in both 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 in note 2, 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 this full-year financial report.

Responsibility statement
This statement is given pursuant to Rule 4 of the Disclosure Guidance and Transparency Rules.

It is given by each of the directors as at the date of this report, namely: Stuart Sinclair, Chair; Gerard Ryan, Chief Executive Officer; Gary Thompson, Chief Financial Officer; Katrina Cliffe, Senior independent non-executive director; Deborah Davis, non-executive director; Richard Holmes, non-executive director and Aileen Wallace, non-executive director.

To the best of each director's knowledge:

a) the financial information, prepared in accordance with the IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
b) the management 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.

Alternative performance measures

This 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 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.
Closing net receivables growth at constant exchange rates (%)	None	Not applicable	Closing net receivables growth is the period-on-period change in closing net receivables which is calculated by retranslating the previous year's closing net receivables at the closing actual exchange rate used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results.
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous year's revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results.
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.
Impairment rate (%)	None	Not applicable	Impairment as a percentage of average gross receivables (before impairment provision) and represents a measure of credit quality that is used across the business.
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is costs, including customer representatives' commission, excluding interest expense, divided by reported revenue. This is useful for comparing performance across markets.

Alternative performance measures (continued)

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
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 and the Group targets a ratio of around 40%.
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.
Gross receivables (£m)	Net customer receivables	Not applicable	Gross receivables is the same definition as gross carrying amount as per note 15.
Impairment coverage ratio	None	Not applicable	Expected loss allowance divided by gross receivables (before impairment provision).
Pre-exceptional RoE (%)	None	Not applicable	Return on equity (RoE) calculated as annual pre-exceptional profit after tax divided by average net assets over the same period.
Pre-exceptional RoRE (%)	None	Not applicable	Return on required equity (RoRE) is calculated as annual pre-exceptional profit after tax divided by required equity of 40% of average net receivables.
Other measures			
Customers	None	Not applicable	Customers that are being served by our customer representatives 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

2023

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customers (000)	**761**	**716**	**223**	**-**	**1,700**
Average gross receivables	**801.6**	**299.4**	**287.9**	**-**	**1,388.9**
Closing net receivables	**483.0**	**187.1**	**222.8**	**-**	**892.9**
Customer lending	**616.6**	**302.8**	**231.2**	**-**	**1,150.6**
Revenue	**379.7**	**261.6**	**126.5**	**-**	**767.8**
Impairment	**(39.4)**	**(96.7)**	**(33.3)**	**-**	**(169.4)**
Net revenue	**340.3**	**164.9**	**93.2**	**-**	**598.4**
Interest expense	**(48.0)**	**(12.1)**	**(16.7)**	**(0.1)**	**(76.9)**
Costs	**(227.2)**	**(129.7)**	**(65.8)**	**(14.9)**	**(437.6)**
Profit/(loss) before tax	**65.1**	**23.1**	**10.7**	**(15.0)**	**83.9**

2022 performance, at 2022 average foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Customers (000)	784	696	253	-	1,733
Average gross receivables	747.5	239.0	258.0	-	1,244.5
Closing net 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

Foreign exchange movements

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Average gross receivables	30.7	29.1	7.5	-	67.3
Closing net receivables	10.2	14.2	1.2	-	25.6
Customer lending	26.7	31.5	7.4	-	65.6
Revenue	12.8	25.3	4.0	-	42.1
Impairment	0.4	(8.5)	(1.3)	-	(9.4)
Net revenue	13.2	16.8	2.7	-	32.7
Interest expense	(1.8)	(1.2)	(0.4)	-	(3.4)
Costs	(7.7)	(12.9)	(1.9)	-	(22.5)
	3.7	2.7	0.4	-	6.8

2022 performance, restated at 2023 average foreign exchange rates

£m	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Average gross receivables	778.2	268.1	265.5	-	1,311.8
Closing net receivables	511.2	172.7	210.5	-	894.4
Customer lending	663.7	288.9	239.4	-	1,192.0
Revenue	330.3	236.2	121.1	-	687.6
Impairment	(4.8)	(84.0)	(27.3)	-	(116.1)
Net revenue	325.5	152.2	93.8	-	571.5
Interest expense	(44.6)	(11.1)	(15.7)	(0.1)	(71.5)
Costs	(211.6)	(120.7)	(68.9)	(14.6)	(415.8)

Year-on-year movement at constant exchange rates

	European home credit	Mexico home credit	IPF Digital	Central costs	Group
Average gross receivables	3.0%	11.7%	8.4%	-	5.9%
Closing net receivables	(5.5%)	8.3%	5.8%	-	(0.2%)
Customer lending	(7.1%)	4.8%	(3.4%)	-	(3.5%)
Revenue	15.0%	10.8%	4.5%	-	11.7%
Impairment	(720.8%)	(15.1%)	(22.0%)	-	(45.9%)
Net revenue	4.5%	8.3%	(0.6%)	-	4.7%
Interest expense	(7.6%)	(9.0%)	(6.4%)	-	(7.6%)
Costs	(7.4%)	(7.5%)	4.5%	(2.1%)	(5.2%)

Balance sheet and returns measures

Average gross receivables (before impairment provisions) are used in the revenue yield and impairment rate calculations.

Average gross receivables

	2023 £m	2022 £m
European home credit	**801.6**	747.5
Mexico home credit	**299.4**	239.0
IPF Digital	**287.9**	258.0
Group	**1,388.9**	1,244.5

The impairment coverage ratio is calculated as loss allowance divided by gross carrying amount.

Impairment coverage ratio

	2023 £m	2022 £m
Closing gross carrying amount	**1,401.1**	1,366.6
Loss allowance	**(508.2)**	(497.8)
Closing net receivables	**892.9**	868.8
Impairment coverage ratio	**36.3%**	36.4%

Pre-exceptional return on equity (RoE) is calculated as annual pre-exceptional profit after tax divided by pre-exceptional equity.

Pre-exceptional RoE

	2023 £m	2022 £m	2021 £m
Equity (net assets)	**501.9**	445.2	367.1
Exceptional items	**4.0**	(10.5)	-
Pre-exceptional equity	**505.9**	434.7	367.1
Average pre-exceptional equity	**470.3**	400.9	368.8
Profit after tax	**48.0**	56.8	41.9
Exceptional items	**4.0**	(10.5)	-
Pre-exceptional profit after tax	**52.0**	46.3	41.9
Pre-exceptional RoE	**11.1%**	11.5%	11.4%

Return on required equity (RoRE) is calculated as annual pre-exceptional profit after tax divided by required equity of 40% of average net receivables.

Pre-exceptional RoRE 2023	European home credit £m	Mexico home credit £m	IPF Digital £m	Group £m
Closing net receivables 2023	**483.0**	**187.1**	**222.8**	**892.9**
Closing net receivables 2022	**501.0**	**158.5**	**209.3**	**868.8**
Average net receivables	**492.0**	**172.8**	**216.0**	**880.8**
Equity (net assets) at 40%	**196.8**	**69.1**	**86.4**	**352.3**
Pre-exceptional profit before tax	**65.1**	**23.1**	**10.7**	**83.9**
Tax at 38%	**(24.7)**	**(8.8)**	**(4.1)**	**(31.9)**
Pre-exceptional profit after tax	**40.4**	**14.3**	**6.6**	**52.0**
Pre-exceptional RoRE	**20.5%**	**20.7%**	**7.6%**	**14.8%**

Pre-exceptional RoRE 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%