International Personal Finance

Better choice Better experience

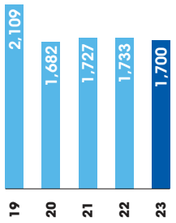
Annual Report and Financial Statements 2023

2023 highlights

Customers ('000)

1,700

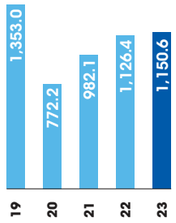
(1.9%)



Customer lending (£m)

£1,150.6m

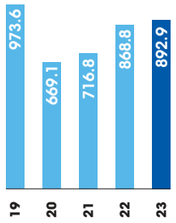
(3.5%)*



Closing net receivables (£m)

£892.9m

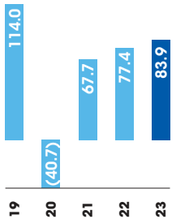
(0.2%)*



Profit before tax (£m)

£83.9m

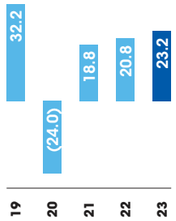
+8.4%



Pre-exceptional earnings per share (p)

23.2p

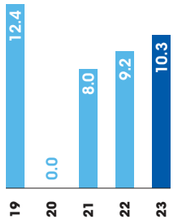
+11.5%



Dividend per share (p)

10.3p

+12.0%



* At constant exchange rates

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Alternative performance measures

This Annual Report and Financial Statements provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards. We believe these APMs provide readers with important additional information on our business. To support this, we have included an accounting policy note on APMs on page 147, a reconciliation of the APMs we use where relevant and a glossary on pages 185 to 186 indicating the APMs that we use, an explanation of how they are calculated and why we use them.

Percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2023, in order to present the underlying performance variance. International Personal Finance plc (IPF) Company number: 6018973.

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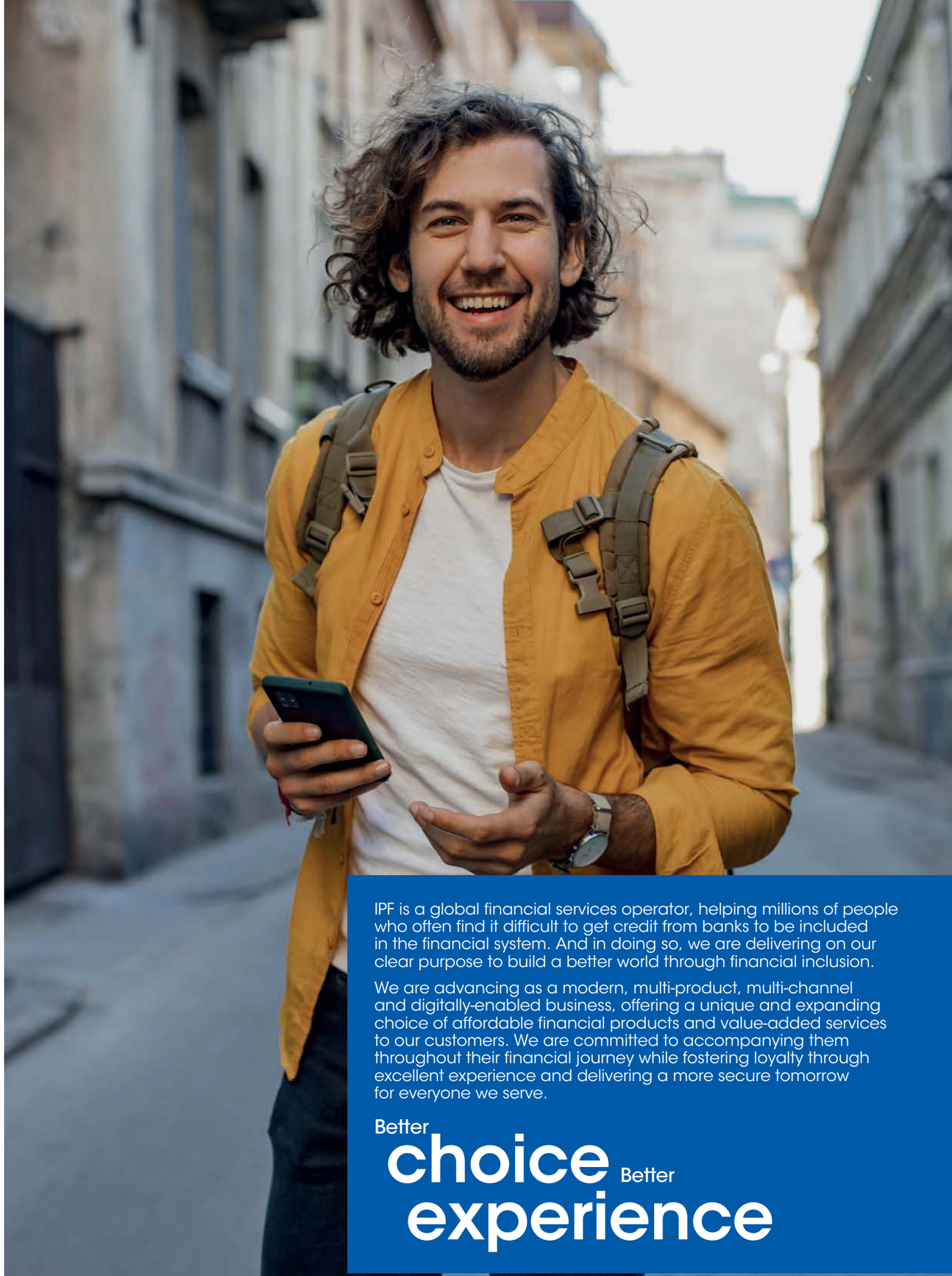
Find out more at www.ipfin.co.uk



IPF is a global financial services operator, helping millions of people who often find it difficult to get credit from banks to be included in the financial system. And in doing so, we are delivering on our clear purpose to build a better world through financial inclusion.

We are advancing as a modern, multi-product, multi-channel and digitally-enabled business, offering a unique and expanding choice of affordable financial products and value-added services to our customers. We are committed to accompanying them throughout their financial journey while fostering loyalty through excellent experience and delivering a more secure tomorrow for everyone we serve.

Better **choice** Better **experience**

Many people have a bank account but cannot access other financial services from their bank. Some have no account at all.

Over 26 years we have helped millions of people who are underserved.

It is estimated that over

2bn

adults are unbanked or underbanked around the world and

20%

of bank accounts are not actively used for transactions.

Sources: World Bank and Global Findex Database Report

We have helped nearly

15m

people access credit and we estimate there are

c.70m

underserved people in our markets.

Our purpose

is to build a better world through financial inclusion.

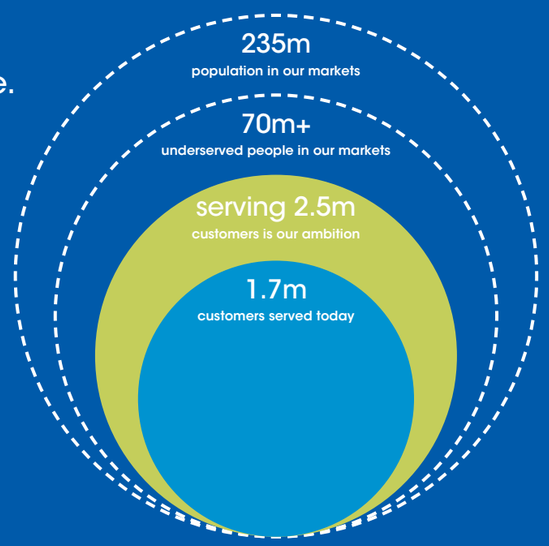
Profitable and growing

Offering attractive long-term growth and returns prospects across our three divisions

We often represent the first step

onto the credit ladder, and for many of our customers this is the start of a journey to build their credit profile.

Being part of the regulated financial system and choosing to take fair-priced credit from a trusted business like IPF, our customers find a way to pay for school equipment, plan for a family event, deal with an unexpected emergency or start a small business that can provide a livelihood. We have unrivalled expertise in helping financially underserved customers which puts us in a strong position to financially include more customers, boost economic growth and grow the business.



Our total addressable market

European home credit

- Well established, cash generative business
- Increasingly digitised and expanding product offering
- Delivering target returns of c.20%

Home credit
Hybrid loans
Credit card
Value-added services
Retail credit

£483m
closing net receivables

Mexico home credit

- Significant growth prospects and expanding geographic coverage
- Digitising to improve customer experience
- Delivering target returns of c.20% while investing in growth

Home credit
Hybrid loans
Value-added services
Retail credit

£187m
closing net receivables

IPF Digital

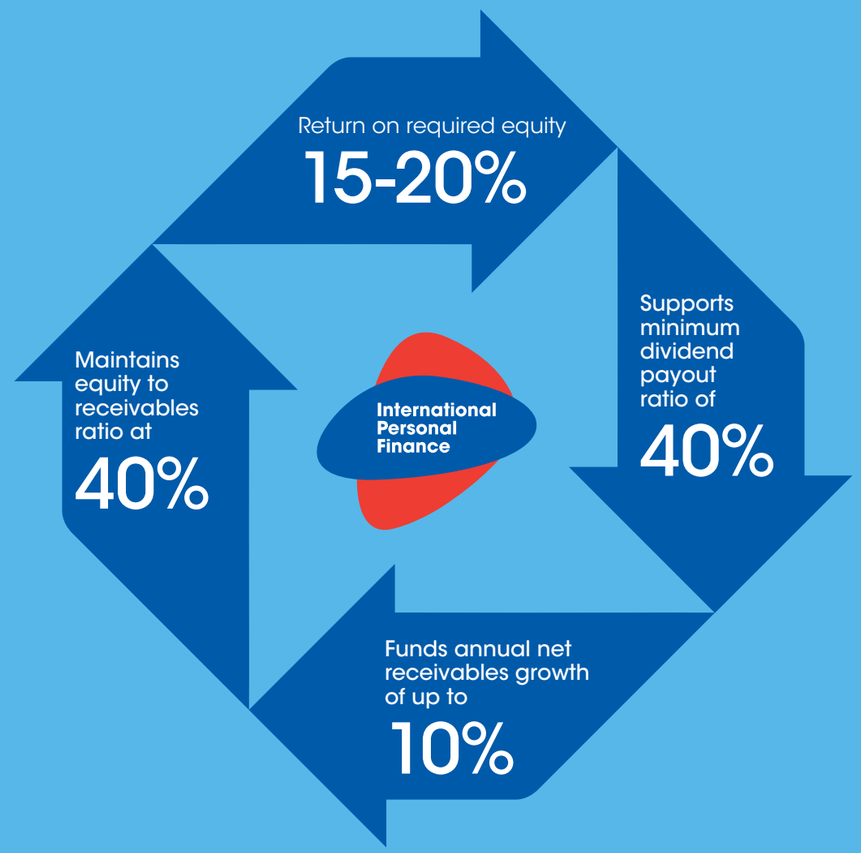
- Strong brands, great growth potential and rebuilding scale
- Single hub serving multiple countries
- Focused on delivering target returns

Revolving credit line
Mobile wallet
Instalment loans
Value-added services

£223m
closing net receivables

Our financial model for targeting sustainable returns

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



The most integral part of our financial model is that we must deliver a return on required equity (RoRE) of between 15% and 20% that enables:

- Fair, affordable and transparent customer pricing
- Full compliance with all legal and regulatory requirements
- Care for our colleagues and communities
- Sustainable returns for our shareholders

We believe that returns materially in excess of 15% to 20% would result in us not balancing the needs of all of our stakeholders in delivering our purpose.

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

All investment decisions are based on delivering

15-20%

RoRE*

* Required equity = equity to receivables ratio of 40%

Improving choice, to enhance experience

"I am delighted to report another year of strong operational and financial performance, reflecting our commitment to our simple but compelling purpose."

Stuart Sinclair
Chair

Welcome to our 2023 Annual Report

I am delighted to report another year of strong operational and financial performance, reflecting our commitment to our simple but compelling purpose of including more people in the financial mainstream.

Excellent progress in 2023

Regarding some of our main achievements in 2023, we saw continued, controlled expansion to new geographies in Mexico; profit contributions made by IPF Digital's six territories reflecting strong cost control and product innovation; and the deft execution by our business in Poland of a significant and innovative move into credit cards. Other long-planned initiatives which gained traction during the year included the growth of several retail partnerships, and a transformation of the field forces in a number of our markets to offering better control and improved customer experience.

To make our purpose more tangible to yet more customers we expanded our product portfolio, among my favourites being education packages which are now available to customers in Poland, and a growing range of healthcare insurances.

We also continued our plan to put customers "in the driving seat" by offering more choice of how they interact with us, be it face to face, remotely by mobile or other devices, or a mixture of both, tailored to reflect their needs and history with us, and our own assessment of their financial circumstances. Faster access to loans and cash, one of the top requests coming through the numerous and comprehensive surveys we carry out, is another frontier we pushed hard on.

Together with these advancements, customers' responsiveness to both speed of service and increased options is monitored closely, not least by all Board members, to be sure that these criteria align with the specific consumer types we excel in serving, and which many competitors either overlook or serve only sporadically.

Strong financial performance and dividend increase

This excellent execution of our strategy supported the delivery of a strong set of results, and profit before tax increased by 8% to £83.9m, despite the continued inflationary pressures and cost-of-living challenges that both our customers and the business faced.

Our ever closer attention to costs, particularly in our regional hubs and at head offices, credit quality, loan size, funding and the other determinants of profitability, helped underpin yet another year in our progressive dividend policy. In this regard, am pleased to announce a final dividend of 7.2 pence per share, bringing the full-year dividend to 10.3 pence per share, up 12% on 2022.

A dedicated team focused on purpose

As always, these achievements have only been possible through the dedication and ingenuity of thousands of colleagues across our nine territories. But they are also a manifestation of something deeper - the successful pursuit of our purpose. We have no difficulty in expressing that purpose. As it was when IPF was established in 2007, it is to offer affordable financial services to customers who are ill served or indeed ignored by mainstream finance companies or banks. This important contribution to the wellbeing of the countries they live in is acknowledged, often quietly, by many stakeholders there. We continue to invest in understanding and often contributing expert testimony to the parliamentary and regulatory debates in each country, which to an extent also shape how we go to market.

Outlook

To sum up, 2023 was another strong year, in terms of both customer outcomes and operating results.

Notwithstanding the fact that it looks like we have more regulatory change to deal with in Poland following a recently received communication from our regulator (which is described more fully on pages 16 and 30), the Board is confident that all the hard work undertaken by our team and that I have alluded to here – whether it be on customer service, technological and product innovations, cost focus or funding – will continue to reward us all for many years to come.

Thank you for your continued support.

Stuart Sinclair
Chair

14 March 2024

Our customers

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

Our customers manage their lives on tight budgets. They are not heavily indebted and have incomes from various sources, including government support. Our customers also value a sympathetic service and forbearance if, from time to time, they face challenges in repaying their loan.

How our customers use their loans

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

Typical loans across our three divisions

European home credit	Mexico home credit	IPF Digital
Typical loan **£865**	Typical loan **£360**	Average credit line principal outstanding **£1,200**
Average term **83 weeks**	Average term **46 weeks**	Average instalment loan **£800**

See page 5 for more information on our divisions.

Many of our customers are underserved by banks for a number of reasons including:

- They have low or medium incomes with limited or no savings.
- Most work but their income often varies from month to month.
- They have no formal credit history.
- They may live in a rural area or can't easily reach a bank.
- They have defaulted on a credit agreement resulting in a damaged credit history.
- They are charged for bank services.

Today's customer demographics

c.60%
of our customers are female

30-50
years old, and many have a family with children

Low to medium
income
Borrow and budget very carefully

Underserved
by other lenders

No or limited
credit history
C/D socio economic groups

The next generation

We are attracting new, younger customers

c.30%
of customers are

18-35
years old

Rent
their home

Often single

Full-time workers

Mostly located
in larger cities

See page 48 for more information on our customers.

Expanding our products and services

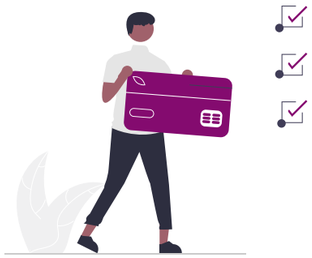
We serve our customers in a responsible way through a broad suite of traditional and innovative products and services to suit their preferences and different credit profiles.

Data driven, technology enabled and always with a human touch

Digital

CREDIT PROFILE AND CUSTOMER PREFERENCE

Cash loans



CUSTOMER JOURNEY

Our brands

provident creditea Credit24

Customer representative

We also offer value-added services including healthcare and life insurances

Digitisation has simplified processes and enabled quicker access to finance

In response to changing consumer needs we are also streamlining how we serve customers through our Think Customer programme.

We have digitised a large part of our service and enhanced the customer experience while retaining the personal interaction that we know our customers value.

See pages 48-51 for more information.

Resilient, sustainable and responsible business model

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

Our key relationships

Customers

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

Colleagues

Engaging our 21,000 employees and customer representatives is critical to delivering our increasingly digitised business model whilst retaining the human touch through our unique personal customer relationships.

Regulators and legislators

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

Suppliers

Collaboration with our business partners is essential if we are to continue to meet our customers needs. Our suppliers embrace our values and help our business grow, improve efficiency and enhance performance.

Communities

Our community investment activities focus on financial inclusion. In addition, our customer representatives live and work in the communities they serve, building positive relationships with customers and providing unique insights into the needs of our communities.

Investors

Strong relationships with our shareholders and funding partners help us maintain a strong financial profile. We generate capital to invest in growth, enhancing financial inclusion whilst delivering attractive and sustainable returns to our investors.

What we do

We play a vital role in society by helping underserved consumers in nine markets gain access to affordable financial products and insurance services. We have built a suite of products ranging from home credit and digital instalment loans through to a credit card, digital credit lines and a mobile wallet. We also offer a range of insurances and other value-added services which are underwritten by leading, reputable third-party partners. These products are tailored to our customers' financial circumstances and needs, and we deliver them in a responsible way. In doing so we are increasing financial inclusion for millions of people.

Underpinned by our values

Responsible | Respectful | Straightforward

Read more on page 20.

What makes us different

Specialist lender

We are experts with deep market knowledge gained over 26 years of serving customers who are underbanked and underserved.

Unique product offering

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

Close customer relationships

Knowing our customers so well helps us make better affordability assessments, allowing us to approve more loans and support financial inclusion. Many of our customer representatives meet customers in their homes every week. They build unique personal relationships with our customers, around 60% of whom are female, and offer high levels of contact which helps them stay in control of repayments. We are also in regular dialogue with our digital customers who we reach across a range of digital channels.

Competitive advantage

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

Profitable and highly scalable business

We are a profitable and cash generative business. Our home credit divisions deliver target returns and we are scaling up our digital business to meet the growing number of consumers who want affordable credit online, grow profit and deliver our target returns.

Data insight

Our deep expertise in AI and machine learning allows us to incorporate more high-quality data points into our analytics, enhancing our risk models and enabling smarter lending decisions. For customers, this means they only receive credit that's right for them at a level that they can afford to repay. It also has great scope to optimise returns on marketing investment and gain deeper insights into our target consumers so we can improve customer journeys and ensure interaction with them is more effective.

Read our investment proposition on page 18.

Value created in 2023

Customers

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

1.7m

customers included in the financial mainstream

Colleagues

Providing employment in an inclusive culture so colleagues are motivated to serve customers well, achieve exciting careers and deliver our growth plans.

21,000

colleagues

Communities

Enabling financial inclusion, supporting community initiatives and providing career opportunities.

£893,000

invested in our communities

Suppliers

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

2,700

suppliers globally

Regulators and government

Providing consumers with access to regulated, affordable credit and complying with all market regulations.

c.30

sector associations

Investors

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

>£220m

dividends paid to shareholders since listing in 2007.

Our marketplace and key trends

Our business offers significant long-term growth opportunities. Our target consumer sector is large and we estimate around 70 million adults are financially underserved in our nine markets alone.

We operate in the highly-regulated non-bank financial sector with price caps and affordability regulations in place in most of our markets. We track key consumer and market trends, and use this deep insight to shape our strategy and respond to the challenges and opportunities that arise.

Principal risks

1. Credit
2. Future legal and regulatory development
3. Funding, liquidity, market and counterparty
4. Reputation
5. Taxation
6. Change management
7. Product proposition
8. Technology
9. People
10. Information security and cyber

See pages 78-83 for more information.

Market trends

Market uncertainty

(1) (3)

- Inflation rate rises slowed in 2023 but are forecast to remain elevated in 2024.
- Higher food and energy costs eroded household purchasing power and lower-income consumers felt the impact on their disposable income.
- Increasing interest rates in 2023 impacted funding cost.

Growing customer expectations

(4) (7) (10)

- Good demand for affordable financial services in our target segment.
- Consumers want a convenient, fast and personal service driven by technology innovations.
- Trusted brand status is increasingly important.
- Negative customer experiences amplified in social media heightening reputational risks.

Technology advances

(7) (8) (10)

- Adoption of digital technology is widespread among our target consumers.
- The use of mobile and digital devices and online customer service is increasingly important.
- There is a growing requirement to keep personal data secure.
- The use of Generative AI in financial services and customer marketing is increasing rapidly.

Competition

(7)

- All our markets remain very competitive.
- Banks tightened lending criteria in response to the cost-of-living crisis.
- Some competition is being impacted by increased regulation.
- Whilst not direct competition, Buy Now Pay Later business models demonstrate that consumers value point of sale finance.
- No major new entrants serving our segment of consumers.

Regulation

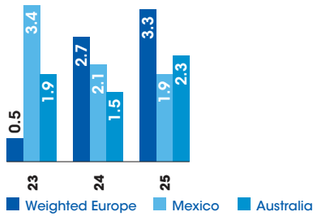
(2) (4) (7)

- Regulators and legislators continue to focus on affordability, fair pricing and consumer protection.
- Increasing bank-like regulation for non-banking financial institutions.
- The EU Consumer Credit Directive (CCD), published in 2023, requires changes to pre-contractual information, creditworthiness assessments, training and consumer protection rules.

Our response

- We benefit from a diversified business model in nine geographies.
- We serve loyal customers, even in difficult times.
- We lend cautiously and will tighten credit settings, if necessary.
- We always focus on cost efficiency and process optimisation to mitigate inflation and the rising cost of funding.

GDP growth forecasts (%)



Source: Bloomberg

- We are increasing our product, channel and price choices to serve more customers.
- Our 'Think Customer' programme focuses on new ways to create seamless customer journeys.
- Growing our digital Creditea brand.

53%

of consumers say experience matters as much as the products or services provided

Source: Forbes Advisor 2023

- We are using data to improve lending decisions, optimise marketing investment and improve the customer journey.
- We are exploring new ways to develop innovative, user-friendly digital credit solutions, improve marketing effectiveness and deliver cost efficiencies.

$200bn

Global AI investment forecast by 2025

Source: Goldman Sachs Economics Research

- We will continue to increase product and channel choice and broaden price options to help customers access our credit.
- Our home credit model continues to offer competitive barriers to entry.
- Our strong financial performance, robust balance sheet and market-leading brands mean we are well-placed to capitalise on market share opportunities.

Key competitors

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

- We maintain open relationships with regulators and legislators to ensure they understand the important role we play in extending financial inclusion.
- Most of the Groups' businesses operate within rate cap and affordability regulations.
- We are transitioning our Polish businesses to operate under new pricing and affordability regulations, and will adapt to any changes necessary to comply with the EU CCD.

Regulatory focus

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

Creating more choice to deliver a better experience

"Our relentless focus on meeting our customers' needs combined with strong cost control and good capital management drove a very positive financial and operational performance in 2023."

Gerard Ryan
Chief Executive Officer

How would you sum up performance in 2023?

At a very high level, I believe our business has had one of its most successful years ever. Our strategy to regrow the portfolio at a sensible pace is being very well executed and, during 2023, we combined this growth with excellent operational effectiveness, very strong cost control and good capital management. As a result, we have outperformed our own expectations in terms of portfolio quality and delivered profit before tax of £83.9m, well ahead of our original plan for the year.

I want to record up front that the results we delivered in 2023 are due to the tremendous work of our colleagues, all of whom are dedicated to providing greater financial inclusion for underserved consumers in our markets. It is one thing to have a clearly articulated strategy, but a good strategy is nothing unless the appropriate skills, capabilities and dedication are there to deliver it. I feel very fortunate to lead a business where that is absolutely the case.

How are you delivering on your goal to increase financial inclusion?

The short answer would be through a dedicated team of over 21,000 colleagues. The truth is that our purpose of building a better world through financial inclusion is our raison d'être, and so we focus everything we are doing on that outcome. We have made it very clear that we are a specialist provider of finance, and we therefore do not get distracted by areas that do not help us achieve our purpose. From the products we design and how we deliver them to our customers, to the conversations we have with customers who may be having difficulties with their repayments, we work as a team to provide solutions that work for those we serve.

How is the transformation in Poland progressing?

There is no doubt that adapting to new regulations in Poland was our single biggest challenge of the year. In addition to the much lower total cost of credit cap, which was effective for the full year, we also needed to apply much more stringent affordability regulations that came into effect in May 2023. The response of our Group and Polish colleagues has been nothing short of outstanding. Our new credit card product is proving to be a huge success, and by the end of 2023 we had issued 130,000 cards. What's even more pleasing is that the customer response to the credit card has been overwhelmingly positive. For nearly two-thirds of our customers, this is their first credit card, and they are now reaping the benefits of being able to transact online and in retail outlets.

Right now, we are currently operating under what is known as a small payment institution licence and are engaging with the Polish financial supervision authority, the KNF, which is assessing our application for a full payment institution licence. This would enable our Polish business to issue more credit cards in Poland.

Just as we were about to go to press with our 2023 results, we received a communication from the KNF, setting out their interpretation of how the existing rules on consumer finance should be applied to credit cards provided by non-bank financial institutions. In short, they suggest that the non-interest related costs applicable to cards should be covered by one of the existing caps that apply to instalment loans in Poland. Applying a cap in this way could have a significant impact on our Polish business, and we estimate that it could reduce the Group's profit before tax in future years by up to £10 million. Clearly this is very unwelcome news and the KNF's interpretation does not align with the consistent legal advice we have had as to how credit card costs should be governed. We do have a very good track record of adapting to new regulation, and I have no doubt that once we have clarity on how this area should be regulated, we will adapt our products and processes to both comply and deliver our target returns for the business.

How has the cost-of-living crisis impacted customers and their need for credit?

Whenever I spoke with shareholders and other stakeholders during the first half of 2023, I explained that we were positively surprised at how consistent customer repayment behaviour had been, and that to some extent we were still trying to understand why. In the face of the worst inflation we have all experienced for several decades, we were not seeing any material change in our customers' payment patterns. By the end of quarter three, we reached the conclusion that the key drivers for this were threefold: first, whenever we provide finance, we always do so on the basis of affordability; second, despite the fact that inflation is high, unemployment continues to be at record low rates and pay is increasing, creating more disposable income; and finally, our operational execution has been excellent. As for our customers' credit needs, I believe they continue to be somewhat cautious, particularly in Europe, where uncertainty caused by the war in Ukraine and high inflation are having a negative impact on confidence levels. Reflecting this, we will continue to maintain careful management of our credit risk profile to ensure customers are not overburdened. Taking all of this into account and excluding Poland, where we expected lending to contract, we delivered 8% growth in lending in 2023.

Is competition increasing?

Competition is certainly evolving, both geographically and in terms of the propositions being offered. In Mexico, we have seen the arrival of a number of international players, most of which are operating payments services, but a few are now beginning to look at the lending sector. I believe our Mexican customers are unlikely to be their prime target, given their lower disposable incomes and bank account penetration. In Europe, we have observed the demise of a number of smaller players in Poland due to regulatory changes, and more broadly, an increased focus on payday lending, and Buy Now, Pay Later businesses continuing to take market share but struggling to make a profit.

A number of UK non-bank financial institutions have failed due to regulation. Is this likely to happen in your markets?

There were some very UK-specific circumstances that, in my view, applied to almost all of these failures: new regulation that was applied retrospectively, an ombudsman process with a minimum tariff of more than £700 per reviewed case, and claims management companies who looked at the combination of these two factors and saw an opportunity to create a completely new industry that would generate huge profits for the owners at the expense of the financial institutions and their customers. In addition, it is clear that some of these institutions were making excessive returns based on lending to some of the most disadvantaged consumers in the country.

If I contrast this context with our own experience, there are striking differences: our regulators tend to introduce regulation that is forward-looking, cases going to some form of independent arbitration are either free or have a de minimis fee, and the returns we are making balance the needs of all our stakeholders. For these reasons, I believe we are unlikely to see a repeat of the UK experience in our markets.

Strategy in action

ProviSmart – our new credit card

Piotr was offered a ProviSmart credit card having been a Provident home credit customer in the past.

"The new credit card is a very good idea. I can withdraw cash anytime and have used the card for shopping in store. The credit I took recently helped pay to redecorate my home and I also bought some presents for my grandchildren."

Better choice

In addition to our credit card offering, customers in Poland can access almost all of our full suite of products from instalment home credit loans, fully-remote digital credit and our value-added services including healthcare cover and educational packages. Based on the initial success of our credit card in Poland, we will explore the option of introducing this product in our other home credit markets.

Better experience

Our new credit card has been designed specifically to meet consumer and regulatory requirements in our Polish market. Whilst most of our customers normally deal in cash, the credit card provides very real benefits and a modern credit offering. In addition to the initial cash draw down, increasingly our customers are using their credit cards to buy goods online, in stores and to take out cash at ATMs.

£500

average ProviSmart balance

953,000

ATM, retail and online transactions made by our credit card customers in 2023

A strong investment proposition

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

1 **Market leading and financially inclusive**
Specialist financial services business providing a range of credit products and value-added services to millions of underserved consumers in a responsible way.

2 **Substantial opportunities for sustainable, long-term growth**
Increasing consumer demand and a broad range of products and distribution channels offer attractive, sustainable growth prospects.

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

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

5 **Delivering attractive, sustainable returns**
Our financial model focuses on sustainable portfolio growth to deliver a RoRE of 15% to 20%, which supports a progressive dividend payout ratio of at least 40% of earnings.

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

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

>£220m
dividends paid since listing in 2007

15-20%
target RoRE

How are you making it easier for customers to engage with IPF?

As part of our refreshed Next Gen strategy, more details of which can be found on pages 20 to 25, our intention is to increase our reach to appeal to more consumers by expanding our geographic footprint, increasing our product range and growing the number of channels through which customers can access our offers. In 2023, we established new areas in Mexico and we will continue this expansion in 2024 by starting to serve new customers in Mexicali. Our new credit card in Poland has proven to be very popular with customers, as have the new value-added services we included in our range. Based on our initial success in Poland, we will look at the option of having a credit card in our other home credit markets. As for distribution channels, we are delighted that our retail partnerships model is now established, and we are providing access to finance for consumers at the point at which they are making purchases retail outlets.

There is another key element to improving access to our services for our customers, and that is through the use of technology. We are investing in technology to improve our customer journey, digitising as many of the steps of the onboarding process as possible, and shortening the time from when a prospective customer first approaches us to when they get a decision on their app and get funds delivered to them. In Mexico home credit, this has helped us reduce the "time to yes" from 24 hours in 2021 to around five minutes in 2023. In addition, we are converting more leads to loans through instant messaging technology and building mobile apps to allow our customers to take more control of their accounts, whether that be looking at when their next payment is due, or seeing if we have a new offer available for them. The Providigital app has helped us improve loan approval times from two days to around 15 to 20 minutes.

Are these investments making your business more efficient?

Although our primary aim is to improve our customer's experience of interacting with us, there is no doubt that there are significant internal spin-off benefits for us. For example, our call centre colleagues are already able to dedicate more time to speaking with new customers because existing customers, who would have called us with their queries, are self-serving via our mobile apps. Another example would be digitising the onboarding process in Mexico, which has resulted in a lot less paper being processed and, by definition, that can only be good for the environment. We are firmly of the view that investing in technology for the benefit of our customers ultimately provides big benefits for the business as well.

How are you supporting local communities?

An important part of delivering on our purpose is our commitment to the communities where our customers and colleagues live and work. We focus on the issues that are important to our stakeholders, namely financial inclusion and education, through our global community programme, Invisibles, which supports underprivileged and excluded people in society. These activities also provide a valuable platform to engage with colleagues, customers, local governments and NGOs. In 2023, we invested more than £893,000 in our communities. In Poland, our team created an award-winning financial education programme for 200 Ukrainian women who are one of the most 'invisible' groups in the financial sector in Poland. They were also recognised for a financial fairy tale 'Money does not grow on trees' which was distributed to 14,000 schools, youth clubs and childcare centres. Each of our businesses also commissioned social studies highlighting those groups in their particular markets that are marginalised and used these findings as a platform to engage with politicians and NGOs to build awareness of the issues these people face. More details of our community support can be found on pages 56 to 58.

How are you engaging colleagues?

Our colleagues are fundamental to achieving our strategy and it is vital that they are engaged and understand the positive impact they have on our customers and the business. We create opportunities to develop skills and capabilities, undertake feedback surveys, host conferences and business updates and run an extensive global care plan to support engagement. The results of our Global People Survey, which we ran across the Group in May 2023, delivered very positive results and, although I am a born optimist, even my expectations were soundly beaten. We had a response rate of 95% from our 21,000 colleagues and exceptionally high scores around the four strands we align our culture to – pride, care, challenged and inspired – details of which are on page 54. I think any business would be justly proud of these and for me it is a clear indication that we, as the IPF community, believe in our purpose of building a better world through financial inclusion. With an inspiring purpose and consistent communication around our strategy and operational execution, I believe high levels of engagement should be the expected outcome. That's not to say that it is easy, but it is certainly worth all the time and effort we put into it.

What funding options are you exploring?

We run a very conservative balance sheet, and this has stood to us in good stead when very testing times arrive, whether that be the 2008 financial crisis or the pandemic in 2020. We target an equity to receivables ratio of approximately 40%, and at the year end that stood at 56%. Our team did an excellent job of funding the balance sheet in 2023, successfully extending around £146m of debt facilities, and we are heading into 2024 feeling positive about our funding options. Whilst our Eurobond is not due until November 2025, it is likely we will refinance this earlier, and at that time we will look at all available options. With a very clean portfolio and a strong balance sheet, I'm confident that we will have a number of choices as to our future funding structure.

What are your key priorities for the future?

We intend to stick to what we are excellent at, and that is providing finance options to consumers who are underserved. Our Next Gen strategy sets out the three pillars we will be focused on for the coming years, namely, providing more products and channels, becoming a smarter and more efficient business, and finally, becoming a data driven, technology-enabled provider to our customers.

Gerard Ryan
Chief Executive Officer

Strategy in action

Expanding home credit in Mexico

Laura lives in Tijuana and was one of our first customers to take a home credit loan to support her business shortly after we launched in the region.

"I've found Provident to be a reliable company and although I didn't believe it at first, I got my money very quickly. It's a great thing to have for enterprising women who are looking to own their own business."

Better choice
Provident is the only home credit operator in Mexico. Expanding our home credit offering into new regions in this highly-underserved market offers a new financial choice to consumers and supports our plan to capture the significant growth potential in Mexico.

Better experience
Our customers in our new regions of Tijuana and Tampico can take advantage of the benefits of home credit – small sum loans repaid in affordable chunks over the course of around 8 to 12 months, the convenience of a customer representative visiting them at home to collect repayments, and a sympathetic approach and no additional fees charged if they take longer to repay their loan. Our digitising strategy has also improved the time it takes to approve a credit application and for customers to receive their loan.

716,000
customers served by Mexico home credit

5 mins
to approve a customer

Our Next Gen strategy

We are advancing as a modern, multi-product, multi-channel and digitally-enabled business and our clear plan to become the leading provider of financial services to underserved communities around the world is captured through our Next Gen strategy. It encapsulates our vision to serve 2.5 million customers by continually innovating, digitising and connecting our business to deliver a better experience to our customers whilst retaining the human touch that sets us apart from our competitors.

A new vision

We aim to be the leading provider of financial services for underserved communities around the world; data driven, technology enabled and always with a human touch.

Three strategic pillars

1. Next Gen financial inclusion

Building the 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.

Driven by our purpose and guided by our financial model

We are driven by our purpose to build a better world through financial inclusion and guided by our financial model in balancing the needs of our stakeholders.

Supported by our values

Responsible
Taking due care in all our actions and decisions.

Respectful
Treating others as they would like to be treated.

Straightforward
Being open and transparent in everything we do.

1. Next Gen financial inclusion

The need for appropriate and responsibly provided credit products and services is increasing, and we are proud to help people access affordable credit when and where they need it. In doing so, we are delivering on our purpose to increase financial inclusion.

Deploy product family
There are significant growth opportunities to extend our product family across our nine markets. We launch new products selectively in markets ensuring there is strong consumer demand and that we can deliver sufficient returns.

Deliver more value to customers
The great value of the additional services we provide, such as healthcare insurances, and our focus on innovating to improve the customer experience through our Think Customer programme help us deliver more value to customers beyond lending.

Build distribution channels through partnerships
We are building the foundations to create more points at which consumers can access our credit offering through retail partnerships to deliver additional growth momentum.

Extend geographic footprint
We are financially including more consumers in Mexico by expanding into new locations with our home credit business and growing our digital offering in this market.

2. Next Gen organisation

We are driven by a shared purpose and commitment to growing the business to create value for all our stakeholders. We focus on providing continuous learning and exciting career opportunities for our people, introducing new ways to be as efficient as possible, while building goodwill and stronger relationships in the communities we serve.

Be a great place to work
We strive to be a great place to work and a business that cares about and supports our colleagues to develop within a growing company.

Upgrade productivity
We have a strong focus on cost efficiency to improve customer experience, mitigate the impact of inflation and increase in funding costs, and deliver target returns.

Be purposeful and support our communities
We have a very strong social purpose and are committed not only to supporting our customers in a responsible way but also striving to have a positive impact on the communities we serve.

Upgrade our external credentials
Our Responsible Business Framework and Code of Ethics underpin the way we operate as we strive to be the leading business in the sector.

3. Next Gen technology and data

We are enhancing our data collection and insight processes to develop new products and services, enrich credit scoring, accelerate decision-making and improve our customer journeys.

Optimise, standardise and automate processes
We are strengthening our technology leadership and executing process improvements to drive consistency, offer personalised customer solutions and ensure customer data is always protected.

Establish open and flexible architecture
We have a medium-term IT road map that will simplify processes, secure an effective infrastructure and develop our people to support future technologies.

Use data to drive decision making
We are unlocking the value of data analytics to enhance business performance, incorporate data insights into business processes and make more effective decisions.

Leverage new tech
We are investing in technology, cloud capabilities and Generative AI in order to remain relevant for customers and support our vision, as well as improve resilience, scalability and cost-efficiency.

Strategic progress at a glance

We made excellent progress against our strategic priorities in 2023

1. Next Gen financial inclusion

2. Next Gen organisation

3. Next Gen technology and data

Progress in 2023

- Grew our credit card offering in Poland to 130,000 customers.
- Introduced digital lending in Romania.
- Launched a new home credit region in Tampico, Mexico.
- Launched our Creditea mobile wallet in Mexico.
- Introduced a number of value-added service products in European home credit.
- Progressed new retail point of sale partnerships in Romania.
- Upgraded talent with the appointment of a Group Chief Marketing Officer.

- Achieved 95% positive response rate to our Global People Survey.
- Invested £893,000 in our communities programmes.
- Extended our global Invisibles community programme to reach 69,000 people.
- Delivered 500+ different training programmes.
- Recognised with award wins for our leading brands and approach to financial education, diversity, sustainability and ethics.
- Agreed and began implementing our new Responsible Business Framework and ESG strategy.
- Improved the cost-income ratio by 3.9 ppts to 57.0%.

- Delivered the next phase of our customer contact centre upgrade.
- Integrated WhatsApp into the Mexico home credit onboarding journey to upgrade the customer experience.
- Significantly reduced the time to approve and deliver loans in our digital and Mexico home credit businesses.
- Applied leading-edge data science techniques to improve lending effectiveness.
- Upgraded talent with the appointment of a Group Chief Information Officer, and an IT Director for European home credit.

Priorities 2024

- Explore the role of credit cards in driving growth beyond Poland.
- Further develop retail partnership opportunities.
- Grow our new digital channel in Romania.
- Open one new area in Mexico home credit.
- Extend IPF Digital's value-added services offering.

- Support more communities through our Invisibles programme.
- Continue investment in our colleagues to ensure we remain a great place to work.
- Obtain a full payment institution licence in Poland to support our credit card growth ambitions.
- Create strategic leadership hubs to accelerate multi-market delivery.

- Progress towards establishing an open and flexible IT architecture.
- Continue to develop the Group data strategy.
- Further progress towards technology and process convergence in European home credit businesses.
- Develop AI capabilities to deliver incremental business value.

Strategic KPIs

1.7m
customers

12%
year-on-year revenue growth

55.3%
revenue yield

12.2%
impairment rate

57.0%
cost income ratio

£83.9m
profit before tax

See pages 26 to 41 for more performance information.

Strategy in action in 2023

1. Next Gen financial inclusion

New retail partnerships

After concept tests in 2022, we expanded our credit distribution in Romania with the launch of a retail finance partnership with Flanco, one of the country's largest retailers of electrical goods.

This collaboration offers Provident loans to finance consumer purchases in Flanco's 160 stores nationwide and has started well in attracting customers to choose our credit proposition. This venture sits alongside our existing partnership with Romania's eMAG retail chain.

160
Flanco stores in Romania offering Provident retail credit.

Hybrid channel growth

We offer both home credit and digital credit in Poland and Mexico, which has opened another opportunity to support our goal of increasing financial inclusion and business growth.

Our hybrid offer is a unique blend of customer representative and digital channels for those people who apply for a digital loan but whose credit record is not strong enough to warrant a fully digital service.

Working in partnership, our home credit and digital businesses in these markets are now servicing customers online initially before completing the transaction through a customer representative.

10,000
customers are being served through our hybrid channel.

2. Next Gen organisation

Engaged teams driving growth

Maintaining high levels of engagement and collaboration among our colleagues is critical to the IPF culture and growing the business. The findings of our 2023 Global People Survey once again generated a very high response rate and positive feedback.

Our colleagues have a shared and meaningful purpose, centred around our customers, and feel cared for by the Group.

We are also building our development programmes to enhance leadership capability and create quality development opportunities.

79%

of colleagues feel proud to work for IPF

See page 51-55 for more details.

Supporting our communities

Our global flagship community initiative, Invisibles, highlights the plight of underprivileged, marginalised and excluded members of society.

In 2023, we continued to expand the programme by making invisibility visible among public and government decision-makers through independent studies which identified key social groups and provided insights into the challenges they face.

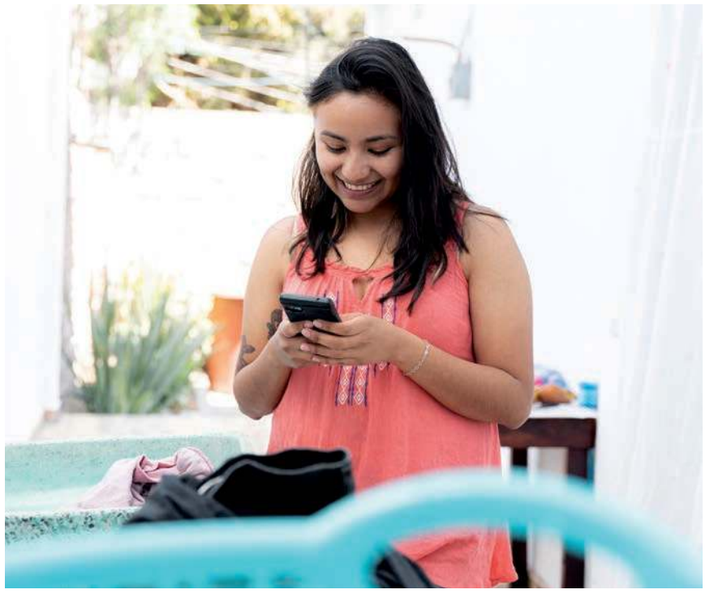
We also partnered with NGOs to create financial educational programmes and support key invisible groups in our markets. Our teams in Poland and the Czech Republic also won awards during the year for the work achieved through their Invisibles programme.

69,000

people supported by our Invisibles programme in 2023

See page 56-58 for more details.

3. Next Gen technology and data



Converting demand into lending

We're investing in technology to transform our lead management processes and convert customer demand into responsible lending. Our Mexico home credit team has introduced WhatsApp instant messaging to seamlessly transition potential customers enquiring about a loan via Facebook to an interactive chat-bot which continues the application process, before passing the lead to our field team. The impact has been outstanding with 2m+ WhatsApp conversations in 2023 and more than a 165% increase in leads via Facebook. Application times are now down to five minutes and we have reduced our reliance on paper. The process of introducing innovative call centre technologies in Europe has also improved our speed of service with 72% of customers now contacted within 15 minutes of submitting an enquiry.

2m+

WhatsApp conversations in 2023

Improving efficiency with machine-learning algorithms

In 2023, we overhauled our operations by incorporating advanced machine-learning algorithms into the labour-intensive process of ensuring contract compliance. This previously involved manual verification to match paper and electronic contracts, and ensure all sections of customer contracts were complete. The implementation of these algorithms has halved the workload of our contracts teams, liberating employees from extensive paperwork and allowing them to concentrate on areas crucial to business growth. This transition has also streamlined our operations, showcasing our robust data science capabilities, and bolstered our risk management strategies and process enhancements significantly.

50%

reduction in colleague workload enabling more focus on growth

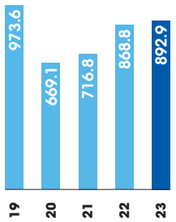
Key performance indicators

We track progress against our purpose and strategic priorities using a mix of financial and non-financial measures. We measure growth, efficiency and shareholder returns, which are all underpinned by our focus on customer satisfaction, the engagement of our colleagues and our contribution to the communities we serve.

Financial

Closing net receivables

£892.9m



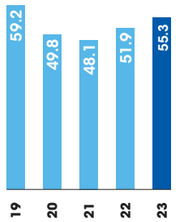
What we measure: The closing amounts receivable from customers translated at constant exchange rates.

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

How we performed: Closing receivables increased by £24m in 2023 (a reduction of 0.2% at CER), with all markets delivering strong performances except Poland where we are transitioning the business to meet new pricing and affordability legislation. We expect the Group's closing receivables to increase in 2024, as the contraction in Poland reduces and other countries deliver strong growth.

Revenue yield

55.3%



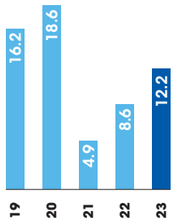
What we measure: Revenue divided by average gross receivables.

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

How we performed: Revenue yield strengthened in 2023 reflecting price increases in some markets and a reduction in promotional activity. We expect revenue yield to improve in the medium term as we continue with these actions.

Impairment rate

12.2%



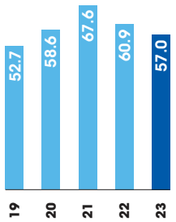
What we measure: Impairment as a percentage of average gross receivables before impairment provision.

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

How we performed: As expected, the impairment rate increased as performance normalises post-pandemic. Repayments remained strong and despite the increased costs of living, we did not see any discernible impact on customer repayments. We expect the impairment rate to increase towards our target range of 14% and 16% in 2024 as Mexico grows and becomes a larger proportion of receivables.

Cost-income ratio

57.0%



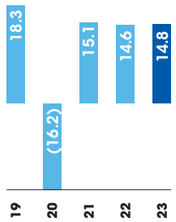
What we measure: The direct expenses of running the business including customer representatives' commission as a percentage of revenue.

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

How we performed: The cost-income ratio improved in 2023 as we maintained stringent focus on cost control while investing in growth. Based on achieving greater scale and the efficiency initiatives already underway, we expect the ratio to continue to improve to our target range of 49% to 51% over the next two to three years.

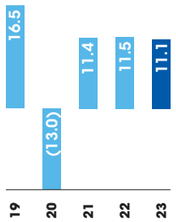
Pre-exceptional return on required equity (RoRE)

14.8%



Pre-exceptional return on equity (RoE)

11.1%



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

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

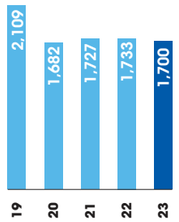
How we performed: RoRE and RoE are lower than our target range of 15% to 20%, as we rebuild scale and transition the Polish business to the new regulatory landscape. RoE is lower than RoRE due to the additional capital held above our target level of 40%. We expect returns in 2024 to moderate as we continue to adapt our Polish business to the evolving regulatory landscape, refinance maturing fixed rate debt and accelerate receivables growth. We would then expect returns to grow in 2025 onwards.

See our Financial review on pages 36 to 41 for more information.

Non-financial

Customers

1.7m



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

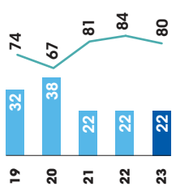
Why it's important: Customer numbers demonstrate level of financial inclusion and our scale in our markets.

How we performed: In 2023, customer numbers reduced by 2%. However, excluding the impact of the transition of our business in Poland and the collect-outs of our operations in Spain and Finland, customer numbers increased by 2%. We expect to return to customer growth in 2024 and our longer-term ambition is to serve 2.5m customers.

See page 48-51 for more information.

Employee and customer representative turnover and stability

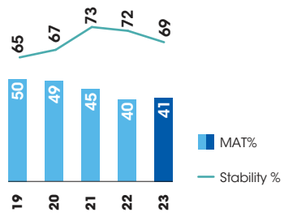
Employees



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

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

Customer representatives



As part of our commitment to delivering on our purpose, we target minimum stability scores of 75% for employees and 70% for customer representatives.

How we performed: Customer representative and employee MAT were broadly in line with 2022. As expected, customer representative and employee stability contracted modestly as levels move back towards more normalised, pre-pandemic rates but still indicate very good colleague engagement.

See page 51-55 for more information.

Community investment

£893,000

What we measure: Total value of our contribution to supporting communities.

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

How we performed: In 2023, our investment in local communities focused on our flagship programme, Invisibles, and financial education. In 2024, our focus will be to enhance our Invisibles programme and create more volunteering opportunities for colleagues to support local community initiatives.

See page 56-58 for more information.

Customer recommendations (Net Promoter Score)

+69

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

Why it's important: Net Promoter Score is a measurement of customer loyalty and satisfaction which are important drivers of future growth. We target a minimum score of +55 as part of our commitment to delivering on our purpose.

How we performed: Our Group Net Promoter Score at December 2023 was +69, unchanged on 2022 and well above our target of +55. Our focus in 2024 will be on maintaining this strong score with continued emphasis on improving our customer experience and journey through our Think Customer programme.

See page 48-51 for more information.

Group performance review

We made excellent progress against our strategic objectives in 2023 which resulted in a very strong operational and financial performance for the year as a whole.

	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 receivable	**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 credit of £10.5m in 2022.
2. Based on required equity to receivables of 40%.

Group performance

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.

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 30). 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.

For more information see the Financial review on pages 36 to 41.

Strategy and purpose

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.

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

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:

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 page 30 for information regarding a regulatory communication from the KNF in February 2024 regarding the application of non-interest fees to credit cards.

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.

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.

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.

For more information on our strategy see pages 21 to 25.

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 further details of the key initiatives undertaken in the year can be found on pages 46 to 77.

Regulatory update

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.

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 32.

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.

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.

European home credit

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.

	2023 £m	2022 £m	Change £m	Change %	Change at CER %
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		

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 page 30). 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.

Ivo and Garbriela live in Popricani, Romania, and over the years have taken a number of loans to set up a home where they are raising their two children.

"Provident gave us the chance to build our home from scratch. We needed money for materials and loans from Provident and my brother-in-law as well as a donation of windows from a neighbour got us started. Step by step, we added to our home and recently we returned for a loan to surprise our son with a TV for his birthday."

Better choice

We have been serving home credit in Europe since 1997 and Ivo and Gabriela are two of the many millions of customers we have supported over the years. In 2023, as part of our strategy to offer more choice to consumers, we launched our first digital credit offering in Romania, rolled out our credit card in Poland and extended our point-of-sale retail credit offering in Romania. In addition, more than 9,000 customers in Poland purchased online language classes as part of our value-added services.

Better experience

Our European home credit team is the driving force behind our Think Customer programme which focuses on understanding customer needs and pain points in order to improve their experience with us. The programme takes a data and measurement-driven approach to the customer journey, then prioritises opportunities for improvement and new ways to delight our customers. It is a continuous journey, and we're making great progress with high customer satisfaction and response timelines.

91%

customer satisfaction against our target of 85%

72%

of customers are now contacted within 15 minutes of submitting an enquiry

Mexico home credit

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.

	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		
Pre-exceptional RoRE	**20.7%**	19.2%	1.5 ppts		

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.

Cristina lives in Tultitlan, Mexico and runs a small online business

"Thanks to Provident I've been able to get ahead. I use loans to buy stock and because sales have been doing very well I've been able to reinvest in my business. I want to keep working because running my business makes me feel capable and productive even though I'm elderly."

Better choice

In addition to home credit loans, we enhance our customers' personal and financial resilience through products like health insurance, life insurance and income protection. Access to healthcare is a key concern for our customers and we have a number of propositions that reduce that worry. For example, in Mexico, more than 1,200 customers have used our eye wear benefit to purchase new glasses. This shows that our commitment to inclusion is not just about lending money, but rather building overall resilience for our customers.

Better experience

We have introduced digital technology and automation to improve our customer experience and productivity significantly. From our digital application processes and handheld technology used by customer representatives to e-contracts and geolocation technology, we have created a more modern experience and streamlined our service process to offer quicker credit decisions and deliver cash loans to customers in less time.

5 mins

to make a credit decision compared with 24 hours in 2021

1,200

customers in Mexico have used our eye wear benefit

IPF Digital

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.

IIPF 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.

	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		
Pre-exceptional RoRE	**7.6%**	6.9%	0.7 ppts		

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.

When 25 year old Jelena lost her job, we activated our payment holiday service until she was able to begin repaying again.

"I really like how friendly and positive the service is, and because I've always repaid on time, you helped me when I needed support. When talking to other lenders I didn't get any support, but it felt like your team actually wanted to help. Thank you."

Better choice

IPF Digital offers a range of products from our mobile wallet and digital revolving credit line to instalment loans, all of which are increasingly popular among consumers who want an end-to-end digital customer journey and a fast, efficient customer experience. In 2023, we launched our mobile wallet in Mexico and as well as being a convenient tool for consumers to manage their credit offering, it offers our business a competitive advantage within our consumer segment.

Better experience

Jelena's story is one of many that demonstrate the high-quality service IPF Digital provides. Not only do our customers want a fast, digital service, they appreciate our support if they face challenging times. We are also improving customer experience through our product offering. Our mobile wallet, for example, provides customers with bank-like facilities on their mobile and the ability to use their revolving credit to buy goods online or in stores. They can see their day-to-day financial transactions, pay bills and receive repayment reminders to help them stay on track and keep their credit score in good standing.

53,000

mobile wallet customers

223,000

IPF Digital customers

Financial review

"Once again, we have delivered a strong set of results in 2023, through a disciplined approach to growth and tight cost control. We continue to make good progress towards our financial model targets."

Gary Thompson
Chief Financial Officer

I am pleased to report that the Group delivered a strong financial performance in 2023. We continued to make good progress on executing our strategy, improving cost efficiency, diversifying our funding position and we maintain a very conservatively capitalised balance sheet to mitigate any further potential deterioration in the challenging macroeconomic environment.

Financial model

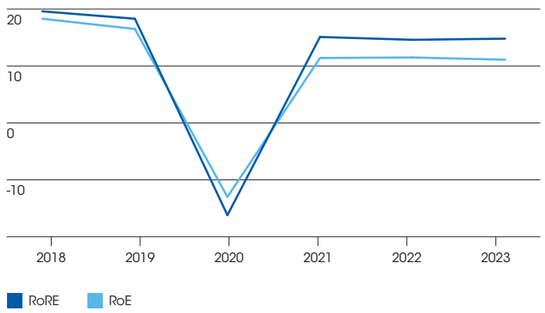
Our business is well managed and operates with strong ethical and financial disciplines. As we navigate our future growth opportunities and business choices, we have a formal financial model which underpins our Next Gen strategy and balances the needs of our various stakeholders including customers, colleagues, regulators, shareholders and debt providers. It sets out the target returns we need to deliver sustainable earnings, support our progressive dividend policy, invest in the future growth of the business and ensure we maintain a strong balance sheet.

Our financial model, details of which can also be found on page 6, focuses on the following:

1. Return on required equity (RoRE)

The first, most integral part of our model is to deliver a target RoRE of between 15% and 20%. We believe that returns materially above this range would not balance the needs of all of our stakeholders in delivering our purpose of building a better world through financial inclusion. We calculate RoRE as profit after tax over the average required equity of 40% of receivables. This allows us to ensure comparability between divisions and is more consistent with the financial model which assumes a 40% equity to receivables ratio. We will also continue to disclose our return on equity (RoE) on a Group basis. We target each of our divisions to deliver a return of at least 20% to ensure that we can deliver the Group RoRE, after taking account of central costs.

Group pre-exceptional returns %



Group pre-exceptional returns %

The pre-exceptional annualised RoRE for the year of 14.8% is broadly in line with 14.6% at the end of 2022. We continued 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 by 0.4 ppts to 11.1% at the end of 2023 as a result of favourable exchange rate movements which increased equity. We expect our Group returns to moderate in 2024 as we continue the transition of our Polish businesses in the evolving regulatory landscape, refinance the Group's fixed rate debt and accelerate receivables growth elsewhere in the Group. We would then expect returns to improve in 2025.

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

	2023	2022
European home credit	**20.5%**	21.3%
Mexico home credit	**20.7%**	19.2%
IPF Digital	**7.6%**	6.9%

European and Mexico home credit are already delivering a RoRE slightly above the 20% threshold we set for each division. IPF Digital's RoRE improved by 0.7 ppts year on year to 7.7% (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 as we rebuild the business, particularly in Mexico, Australia and Poland. We will also continue to consider inorganic opportunities to deliver scale and increase returns to our target levels at the lower end of the Group's target range in 2025.

2. Distribution of earnings

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

Our total dividend of 10.3 pence per share in 2023 represents a pre-exceptional payout ratio of 44%. We anticipate our payout ratio to be in excess of 40% of earning in 2024 as we continue to transition our Polish businesses in the evolving regulatory landscape.

3. Receivables growth

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

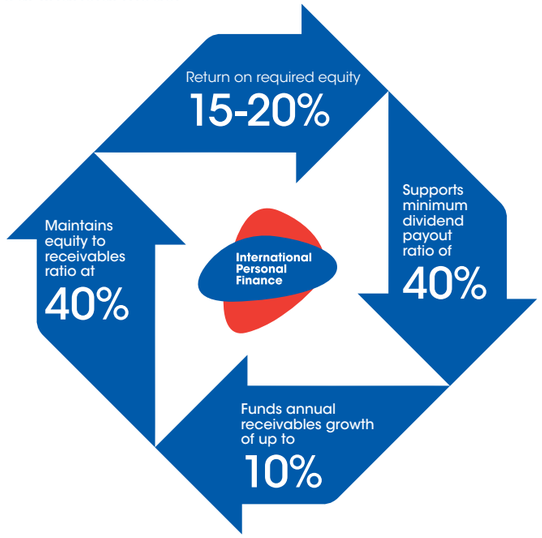
In 2023, receivables remained broadly in line with 2022, as the expected reduction in Poland was offset by receivables growth in all other markets. This growth is less than 10% and, as a result, we generated additional capital over and above our financial model during 2023 (see 4. Equity to receivables ratio below).

4. Equity to receivables ratio

A target equity to receivables ratio of 40% is our current view of an appropriate balance sheet, offering plenty of security in both good and more difficult times. At the end of 2023, the Group's equity to receivables ratio was 56% (2022: 51%), higher than our target of 40%.

We anticipate a reduction in the equity to receivables ratio in 2024 (subject to foreign exchange movements) as we invest in growth, continue to deliver our progressive dividend policy and deliver returns below our target threshold as we continue to transition our businesses in Poland.

Our financial model



Changes to financial model KPIs

Our financial model is underpinned by a stringent focus on revenue yield, impairment rate and cost-income ratio. It is also dictated by the cost of funding and the tax rate. We set targets for each of these metrics at the half year in 2022 and, in light of strong operational performance since then together with the global rise in interest rates due to cost-of-living pressures, we have re-evaluated and subsequently reset the targets for each of these metrics in 2023 as follows:

Group KPI	Previous target range	New, medium-term target range
Annualised revenue yield	53% – 56%	56% – 58%
Annualised impairment rate	14% – 16%	14% – 16%
Annualised cost-income ratio	52% – 54%	49% – 51%

The revised targets are supported by our financial forecasts and ongoing initiatives that are well progressed. They support the delivery of our target returns of between 15% and 20% after taking account of increasing funding costs and an ongoing tax rate of approximately 40%.

Revenue yield – Our target range for revenue yield is 56% to 58% which is based on our current product structure and today's regulatory landscape.

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.

Impairment rate – We have a target range of between 14% and 16% for our impairment rate.

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 to our customers in a responsible, affordable way continues to be reflected in our good portfolio quality and robust customer repayments. I am very pleased to report that 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. We expect the Group impairment rate to rise closer to our target range of 14% to 16% in 2024 as we continue to grow the business and Mexico home credit, which carries a higher impairment rate, represents a larger proportion of receivables.

Cost-income ratio – 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. Our actions, together with ongoing growth, will continue to drive down this ratio to our target of 49% to 51% over the next two years.

Funding rate – After taking account of the cost of hedging, our funding rate was around 10% prior to the very volatile market conditions we have seen since 2022. The funding rate of 14% in 2023 is significantly higher than this rate, due to increased interest rates in our markets as a result of the cost-of-living crisis and higher hedging costs. We expect this elevated cost of funding to persist in the short to medium term as we refinance fixed-rate, fixed term debt and, as a result, we have been focused heavily on bolstering the revenue yield and maintaining tight control of costs to mitigate the impact of higher funding costs. As noted earlier, we have revised our targets for revenue yield and cost-income ratio to accommodate the increased funding costs we are incurring.

Tax rate – We consider a tax rate of around 40% to be reflective of the Group's structure and we consider this to be our normalised rate, albeit we continue to ensure that we are as tax efficient as possible. Our tax rate in 2023 was 38%, modestly lower than our target but we expect it to return to around 40% in 2024.

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

"Maintaining tight control of costs and delivering process efficiency improvements through the deployment of technology are key to mitigating the inflationary environment and driving up our returns."

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 tax charge of £2m is expected to arise in 2024.

Earnings per share (EPS)

Statutory EPS was 21.5 pence in 2023, compared with 25.6 pence per share in 2022. The 16% reduction wholly reflects the benefit of an exceptional tax credit of £10.5m in 2022 compared with an exceptional tax charge of £4.0m in 2023 (see note 10 to the financial statements).

Excluding the impact of the exceptional items, pre-exceptional EPS was 23.2p per share (2022: 20.8p), up 2.4p (11.5%) year on year, at a higher rate than profit growth due to a lower effective tax rate of 38% compared with 40% last year.

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: 6.5 pence). 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% as the transition of our Polish business is completed. Subject to shareholder approval, the final dividend will be paid on 10 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.

23.2p
Pre-exceptional earnings per share

10.3p
Dividend per share

Balance sheet, treasury risk management and funding

Balance sheet

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

At the end of 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. We anticipate a reduction in the equity to receivables ratio in 2024 (subject to foreign exchange movements) as we invest in growth, continue to deliver our progressive dividend policy and deliver returns below our target threshold as we continue the two-year transition of our Polish businesses.

The gearing ratio was 1.0 times (2022: 1.2 times), comfortably within our covenant limit of 3.75 times.

Closing receivables in 2023 were £893m, which is a contraction of 0.2% (at CER) compared with 2022. Excluding Poland which saw an expected year-on-year reduction of 25%, closing receivables showed good year-on-year growth of 12%. The average period of receivables outstanding at the end of 2023 was 13.2 months (2022: 13.0 months) with 77% of year-end receivables due within one year (2022: 76%). Reflecting the continued caution in respect of the inflationary environment, our balance sheet remains very robust with an impairment 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 impairment provision includes £23.2m of post-model adjustments in respect of the cost-of-living crisis and the moratorium in Hungary compared with £24.9m held at the end of 2022 in respect of Covid-19 and the cost-of-living crisis. The gross contractual cashflows supporting the receivables valuation amounts to £1.7bn at the end of 2023 (2022: £1.7bn).

"We continue to maintain a very well capitalised balance sheet and robust funding position to support our ambitious future growth plans."

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

The strong cash generation of the Group has again been highlighted in 2023. With receivables growth at a relatively low level in 2023 due to the expected reduction in Polish receivables, the Group generated cash of £193m compared with £59m in 2022.

Treasury risk management

The Group has Board-approved policies to address the key treasury risks that the business faces – funding and liquidity risk, financial market risk (currency and interest rate risk), and counterparty risk. The policies are designed to provide robust risk management, even in more volatile financial markets and economic conditions within our planning horizon.

Compliance with these policies is monitored monthly by the Treasury Committee chaired by the Chief Financial Officer and the Board receives a comprehensive funding and liquidity overview through monthly reporting. Funding and liquidity of the Group are 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.

Our funding policy requires us to maintain a resilient funding position for our existing business and for future growth. We aim to maintain a prudent level of headroom on undrawn bank facilities. Our currency policy addresses economic currency exposures and requires us to fund our receivables portfolios with local currency borrowings (directly or indirectly) to achieve a high level of balance sheet hedging. We do not hedge the translational risk of foreign currency movements on accounting profits and losses. Our interest rate policy requires us to hedge interest rate risk in each currency to a relatively high level. Our counterparty policy requires exposures to financial counterparties to be limited to BBB-rated entities as a minimum except as approved, or delegated for approval, by the Board. In addition to these policies, our operational procedures and controls ensure that funds are available in the right currency at the right time to serve our customers throughout the Group.

"Despite the difficult macroeconomic backdrop, we successfully extended around £146m in 2023 and have a very solid financial foundation to support our growth plans."

The currency structure of our debt facilities broadly matches the asset and cash flow profile of our business. We have multiple local currency bank facilities, and our main €341m Eurobond provides direct funding to our markets using the euro currency and to markets using other currencies via foreign exchange transactions. For this reason, we do not expect fluctuations in the value of sterling to have a major impact on our funding position.

Debt funding is provided through a diversified debt portfolio with acceptable terms and conditions. We have wholesale and retail bonds denominated in euro, sterling, Swedish krona and Polish zloty, with varying maturities, together with facilities from a group of 18 banks that have a good strategic and geographic fit with our business. The Group's debt is senior unsecured debt, with all lenders substantially in the same structural position. We maintain our Euro Medium Term Note programme as the platform for bond issuance across a range of currencies.

Funding

At the end of 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.

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:

- a PLN 72m (£14.4m) 3-year floating rate Polish bond issued in October;
- an €11.6m (£10.1m) 3-year Hungarian bond at a fixed coupon of 11.5%;
- a £25.5m 4-year UK retail bond at a coupon of 12% issued in December; and
- the issue of £11.8of retail bonds held in treasury. The debt maturity profile of the Group stands at 2.0 years.

A full analysis of the maturity profile of the debt facilities is set out in note 21 to the Financial Statements and is summarised below:

Maturity profile of debt facilities

Group KPI	Previous target range	New, medium-term target range
Eurobond	November 2025	295.9
Swedish krona bond	October 2024	35.1
Sterling bond	December 2027	77.4
Polish bond	November 2026	14.4
Hungarian bond	December 2026	10.1
Total bonds		**432.9**
Bank facilities	2024 to 2026	195.8
Total debt facilities		**628.7**
Total borrowings		516.5
Headroom against debt facilities		112.2
Non-operational cash balances		13.8
Headroom and non-operational cash balances		126.0

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 euro are swapped through forward contracts into local currency when we onward lend to our markets. As a result, the margin on the sterling/euro bond is effectively added to the local base rate for determining the cost of funding for that market. We anticipate an increase in the overall Group cost of funding in 2024 as we refinance maturing fixed interest rate funding. An analysis of our interest cost and funding rate is set out below:

	2023 £m	2022 £m
Bond costs	**44.4**	40.7
Bank funding cost	**12.7**	8.2
Hedging costs	**16.8**	16.7
Other	**3.0**	2.5
Total interest	**76.9**	68.1
Average gross borrowings	**548.9**	509.3
Cost of funding %	**14.0%**	13.3%

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.

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

	Covenant	**2023**	**2022**
Gearing[1]	Max 3.75x	1.1x	1.3x
Interest cover	Min 2x times	2.5x	2.3x

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

Foreign exchange on reserves

The majority of the Group's net assets are denominated in our operating currencies and, therefore, the sterling value fluctuates with changes in currency exchange rates. In accordance with accounting standards, we have restated the opening foreign currency net assets at the year-end exchange rate and this resulted in a £23m (2022: £42m) foreign exchange movement, which has been credited to the foreign exchange reserve.

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 cards receivables of £49m at 31 December 2023 represent just over 5% of the Group's receivables and approximately 25% of overall receivables in Poland.

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 32. 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 on page 80 of the Annual Report, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Board has adopted the going concern basis in preparing the Annual Report and Financial Statements.

Gary Thompson
Chief Financial Officer

14 March 2024

Generating value for all our stakeholders

Understanding the views of our stakeholders and delivering on what is important to them is a key part of our Next Gen strategy. It also reflects the fact that our Next Gen strategy is designed to deliver substantial and long-term opportunities to increase financial inclusion, and therefore generate value for all our stakeholders. Set out below are details of our engagement with our stakeholders in 2023 and how this aligns with our broader strategy.

Customers

Our aim

To provide affordable financial products and services to those who are underserved by mainstream lenders, always delivered in a sustainable and responsible way.

What engagement gives us

Listening to our customers allows us to build a greater understanding of their needs and behaviours, so we can respond and deliver compelling products and an excellent customer experience.

What matters to our customers?

- Affordability and price
- Data protection
- Flexible repayments when things go wrong
- Convenience
- Range of products to choose from
- Simple, personal and seamless experience
- Trusted brands

How we engage

- Customer surveys and focus groups
- Product proposition and usability testing
- Website tools
- Complaints analysis
- Materiality assessment
- External reputation survey

Board engagement

- Board Stakeholder Update
- Customer metrics form part of the Chief Executive Officer Report discussed at every Board meeting
- Customer visits and meetings with customer representatives in all markets
- "Deep dive" sessions with Chief Marketing Officer twice annually
- Review of materiality assessment results

Links to our principal risks

- Information security and cyber
- Reputation
- Product proposition
- Credit

Strategic pillars

FI O TD

Colleagues

Our aim

To provide rewarding careers and development opportunities for our 21,000 employees and self-employed customer representatives.

What engagement gives us

Engaging with colleagues helps us attract, retain and develop a talented workforce, now and for the future.

What matters to our colleagues?

- Development opportunities
- Recognition and reward
- Wellbeing
- An ethical and customer-focused culture
- A safe working environment

How we engage

- Global People Survey
- Wellbeing surveys
- Annual engagement conferences
- Internal reputation survey
- Materiality assessment

Board engagement

- Board Stakeholder Update
- Directors meet with colleagues outside formal meetings including "skip-level" dinners
- The Remuneration Committee reviews workforce policies and practices
- Workforce Engagement Director programme
- Twice annual human resources strategy sessions at Board meetings including review of Global People Survey results
- Non-executive director participation in our Annual Learning Festival
- Review of materiality assessment results

Links to our principal risks

- People
- Reputation

Strategic pillars

O

Investors and rating agencies

Our aim

To ensure we are well-financed, with the ability to reward investors for their investment, secure funding at a competitive rate and provide the information and insight required for our future prospects to be assessed.

What engagement gives us

Feedback on our strategy and performance helps shape our decision-making. Insights on our external reporting ensure we are providing the information required, so they can understand our business and make informed investment or rating decisions.

What matters to investors and rating agencies?

- Performance and growth potential
- Risk management
- Cash generation
- ESG risks and reporting
- Executive remuneration
- Easily available information on the Group
- Share price growth

How we engage

- Results presentations and webinars
- Corporate website
- Investor meetings
- Market visits
- Materiality assessment

Board engagement

- Board Stakeholder Update
- Shareholder events
- Debt investor roadshows
- Chief Executive Officer and Chief Financial Officer updates to the Board
- Investor feedback reports
- Annual general meeting
- Review of materiality assessment results

Links to our principal risks

- Funding, liquidity, market and counterparty

Strategic pillars

FI O TD

Regulators, politicians and non-governmental organisations (NGOs)

Our aim

To engage with decision makers who have the influence and power to change the way we do business and impact the lives of consumers. We aim to build their understanding of the needs of our customers, our important role in extending financial inclusion and how we support people in making informed borrowing decisions.

What engagement gives us

We understand the perspectives of those bodies which regulate us as well as the views of those organisations which have an interest in what we do, ensuring our business practices reflect these expectations.

What matters to our regulators, politicians and NGOs?

- Regulatory compliance
- Control and supervision
- Responsible lending
- Social inclusion
- Tax contribution
- Community engagement
- Ethical business policies and practices

How we engage

- Membership of trade associations
- Contributing to public consultations
- Engagement on draft regulations with decision makers
- Partnerships with NGOs
- Materiality assessment

Board engagement

- Board Stakeholder Update
- Regulatory updates via the Chief Executive Officer Report and to the Audit and Risk Committee
- Review of materiality assessment results

Links to our principal risks

- Future legal and regulatory development
- Reputation
- Information security and cyber

Strategic pillars

FI

Communities

Our aim

To engage with the communities we impact through our operations, and where our customers and colleagues come from, to enhance their social capital.

What engagement gives us

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

What matters to our communities?

- Community investment
- Financial literacy
- Social wellbeing
- Volunteering

How we engage

- Our Invisibles programme
- Other community programmes
- Colleague volunteering
- Materiality assessment

Board engagement

- Board Stakeholder Update
- Visits to community investment projects
- Updates in Chief Executive Officer Report
- Review of materiality assessment results

Links to our principal risks

- Reputation
- People

Strategic pillars

O

Suppliers

Our aim

To engage with the organisations we do business with to help us deliver our products to our customers and support our colleagues in a way which is mutually beneficial.

What engagement gives us

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

What matters to our suppliers?

- Business performance
- Payment practices
- Ethical business policies and practices

How we engage

- Supplier feedback
- Supplier surveys
- Materiality assessment

Board engagement

- Board Stakeholder Update
- Approval of key supplier contracts
- Chief Financial Officer Report highlights any material non-performance by suppliers
- Review of materiality assessment results
- Review of modern slavery strategy and how these risks are managed in our supply chain

Links to our principal risks

- Technology
- Information security and cyber
- Change management
- Product proposition
- Reputation

Strategic pillars

FI O TD

Strategic Pillars Key FI Financial inclusion O Organisation TD Technology and data

Board engagement with stakeholders

Throughout 2023 the Board sought to ensure that it understood the views of stakeholders when making decisions.

Section 172(1) statement

In this statement, we describe how our directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 (section 172) when performing their duty to promote the success of the Company.

This engagement, both directly and through regular reports from individual business areas and various Group functions, ensures the Board is made aware of key issues to enable the Directors to comply with their legal duty under Section 172(1).

Members of the Board as a whole and individually are bound by their duties under S172(1) of the Companies Act 2006 (the Act). This statement, and the information covering our stakeholders on pages 42 and 43, summarise how the Group promotes its success for the benefit of its six key stakeholder groups by having regard to:

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

We believe that to progress our Next Gen strategy and to deliver substantial sustainable long-term growth opportunities, the Board should consider all stakeholders relevant to a decision and satisfy themselves that any decision upholds our values of being responsible, respectful and straightforward.

The Board reviews and confirms its key stakeholder groups for the purposes of section 172 annually. In 2023, they were confirmed as customers, investors and ratings agencies, regulators, politicians and NGOs, colleagues, communities and suppliers.

The Board recognises that stakeholder engagement is essential to understand what matters most to our stakeholders and the likely impact of our key decisions. More details of how we have engaged with our stakeholders throughout 2023 can be found on pages 42 and 43. This year we have also completed a materiality assessment to allow us to understand and focus on what matters most to our stakeholders. More details can be found on page 47.

The Board is focused on how the Group can generate value for all its stakeholders. Our Matters Reserved to our Board and our Committee Terms of Reference reinforce the importance of considering stakeholder views. At each Board meeting, the Chief Executive Officer reports on how the Group has delivered for our key stakeholders. A more detailed report on our stakeholders is also presented to the Board twice a year to ensure that it has sufficient oversight of how the Group has provided value to our key stakeholders during the year. Our Board and Committee paper template includes a section for authors to include an assessment of the relevant stakeholder impacts to aid the Board's decision-making.

The Board is aware that in some situations stakeholders' interests will be conflicted, and they may have to prioritise some stakeholders' interests. The Board, led by the Chair, ensures that as part of its decision-making process, the directors are aware and discuss the impacts of their decisions on the Group's key stakeholders, which is facilitated by ensuring that all board papers consider the impact of any decisions made by the Board on our stakeholders.

On page 45 we have set out some of the key decisions made by the Board in 2023 and how it considered our stakeholders throughout the decision-making process.

Stakeholders and Board decisions

Here we highlight how stakeholder considerations informed decisions by the Board in 2023, including Section 172 considerations. The directors confirm that the deliberations of the Board incorporated appropriate consideration of the matters detailed in Section 172 of the Companies Act 2006. As stewards of the Company, the Board recognises that having regard to the needs and expectations of stakeholders is crucial, as it ensures that the Group is well positioned to deliver long-term sustainable growth for the benefit of all its stakeholders.

Approving the Responsible Business Framework

Background

A priority for 2023 was the development of a holistic approach to sustainability, which reflected both the Group's purpose and covered external stakeholder expectations in a credible way. Creating such a strategy involved extensive internal discussions and review prior to formal Board approval being obtained.

Stakeholder considerations

The creation and approval by the Board of our Responsible Business Framework included a review of the specific impacts the Group has on, and the differing needs of, each of our stakeholders. The Framework identifies steps which could be taken to ensure that we are a force for good within each stakeholder group.

Reviewing the materiality assessment

Background

In 2023, the Group created its first materiality assessment, which is covered in more detail on page 47. The process included the Board identifying what issues were important to our stakeholders and a dedicated discussion on whether the proposed strategy for the Group sufficiently reflected the views of stakeholders.

Stakeholder considerations

The output of the materiality assessment was reviewed in detail by the Board. As well as approving the proposed materiality matrix, the exercise enabled the Board to derive greater insight into the views of stakeholders and consider these perspectives when approving the Group's strategic plan.

See more on page 47.

Moving to our Next Gen strategy

Background

The process of reviewing the Group's strategy in 2023 included a thorough assessment of the challenges and opportunities arising in the post-pandemic period. This involved reviewing which elements of the strategy should remain the same, and which elements should evolve to reflect changed external conditions and broader societal trends. The resulting revised Next Gen strategy was approved by the Board in the second half of 2023.

Stakeholder considerations

The creation of a refreshed strategy and approval by the Board took into account feedback and input received from the Group's principal shareholders and other members of the investor community. This included detailed consideration of the changing behaviours and needs of consumers, and how the Group could evolve its activities to better serve this stakeholder group. The Board also looked explicitly at the impacts on the Group's employees and how these could be enhanced through the opportunities provided by the revised strategy.

Focused on being a responsible business

Our Responsible Business Framework

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 low-carbon, fairer and more ethical society. We aim to ensure that our business serves the interests of all our stakeholders, from investors to local communities. By placing the safety and wellbeing of our people and the planet at the centre of our business, we also consider the needs of society at large and deliver returns for all.

2023 highlights

2050
net zero target approved

£177m
total tax contribution in 2023

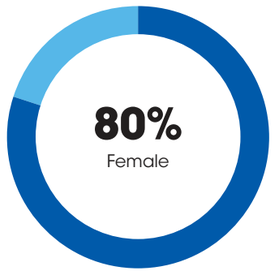
500+
training programmes delivered to over 21,000 colleagues

£893,000
total community investment

16,000
customer representatives attended our Learning Academies

69,000
people assisted through our global Invisibles programme

Global workforce



Our Global People Survey results

In 2023, our Board approved our Responsible Business Framework, an overarching vision for how the Group should contribute to a more sustainable world and how we can contribute to the objectives of the United Nations Global Compact. Our Responsible Business Framework is also an important part of how we deliver our purpose of building a better world through financial inclusion. Our Board endorsed a vision for our Responsible Business Framework which sets out how we are committed to improving the social, economic and environmental wellbeing of the communities of which we form part. The vision states that we will conduct our business in a socially responsible and ethical manner, and we respect the law, support universal human rights, protect the environment and benefit the communities where we operate.

We have sought to drive real change in the markets in which we operate and those sustainability topics where we can make a difference. In this section you can read more about how we performed in 2023 for our stakeholders and the areas we will be focusing on in 2024.

Materiality assessment

Where we want to make a difference

In 2023, we conducted our first materiality assessment to engage formally with our internal and external stakeholders to identify the sustainability topics that were most important to them. This work is the foundation of our Responsible Business Framework and was designed to ensure that our efforts remain focused on those areas where we can have the greatest impact and which are most important to our stakeholders. Our first materiality assessment has been used by the Board and our senior leadership team to inform strategic decision-making, including reviewing our 2024 strategic plan, and prioritising themes in our external reporting.

Completing the materiality analysis

We have a large number of stakeholders, each with different expectations. We adopted a systematic approach to materiality to ensure all perspectives could be included. We reviewed a range of external ESG risks and defined topics as being material if they have a substantial likelihood of influencing the judgement and decisions of key stakeholders and impacting business performance significantly. This formed the basis of our stakeholder engagement exercise which included consulting with customers in each division, suppliers, colleagues (including our Board and senior leadership team) and our top ten shareholders. The resulting output was our materiality matrix detailed below.

How we did it

1 Desk research
Reviewed external reporting standards and other relevant sources to create long list of potential topics.

2 Stakeholder identification
Identified our stakeholders - customers, colleagues, suppliers, NGOs and investors.

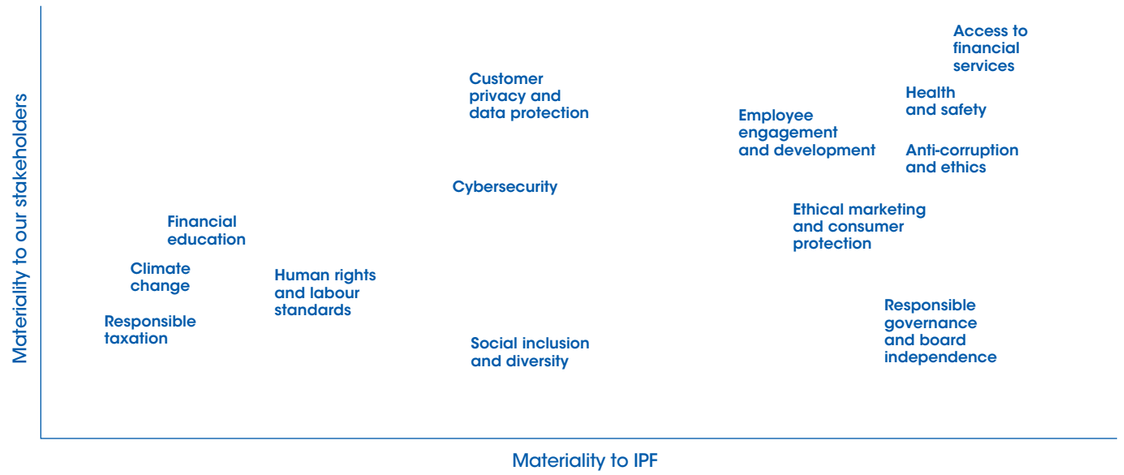
3 Management input
Reviewed the long list of potential topics to determine shortlist of topics to share with stakeholders.

4 Materiality surveys
Quantitative online surveys undertaken anonymously by internal and external stakeholders.

5 Analysis and interpretation
Results were weighted to reflect the appropriate level of importance to the Group.

6 Results report
Outputs discussed as part of Board strategy process and internal stakeholders informed to assist decision-making.

Materiality matrix



Key takeaways

Access to financial services is the Group's most material theme and was shown consistently across all stakeholder groups. This aligns with our purpose and the work we do on financial inclusion. Similarly, **financial education** underlines the fact this is a topic where we can have a significant societal impact through our community investment activities.

Health and safety is a highly material topic reflecting the importance of customer representatives to our business and their unique role in connecting with customers where they live.

Responsible governance and board independence, human rights and labour standards, and anti-corruption and ethics reflect the expectations to demonstrate transparency in all our activities and maintain high governance standards.

Overall, this exercise indicated there is strong alignment between our Responsible Business Framework, our 2024 strategy and the material sustainability themes identified.

Each of the topics set out on the materiality matrix is covered in more detail on pages 48 to 66.

Stakeholders in focus

In this section, we provide insight into how we worked with four key stakeholder group in 2023; our customers, colleagues, suppliers and communities.

Our customers

Our products and services are aimed primarily at the financial inclusion of underserved consumers. We offer our customers a range of digital and face-to-face lending and credit solutions as well as associated insurance products, with multiple options for disbursements and collections.

Our customer vision

Whilst each of our markets is unique and our strategy reflects this, our overarching theme is our vision of a community of customers choosing a range of affordable consumer finance and value-added services across all our markets. Achieving this goal means ensuring that we meet customer expectations with products that are affordable, flexible and transparent. We also want to make customer experience an additional reason for our customers to choose, and then stay, with us.

We look to achieve these ambitious objectives through our 'customer vision', the building blocks of which are detailed below.

Our commitment to our customers

In 2023, we launched our "Customer Promise", which sets out the standards for how we engage with our customers and is based on what we understand matters most to our customers. The Customer Promise aligns to the broader lending cycle and governs our actions at every stage of the process. Put simply, making promises and keeping them is a great way to improve customer satisfaction.

In 2023, we introduced training for all our customer-facing colleagues focused on our customer service standards. These standards bring to life for our front line colleagues how they can deliver the Customer Promise. This training is delivered via our e-learning platform after which every member of the team must pass a competency test.

The training and development focused on:

- product and sales training with a specific emphasis on responsible sales practices for all customer-facing roles including customer representatives, sales leaders and contact centre colleagues; and
- training on compliance and regulatory matters relevant to specific markets for all customer-facing roles.

Our customer vision

Our customer vision

A community of customers choosing a range of affordable consumer finance and value-added services.

Who we are serving
People in need of affordable consumer finance loans and value-added services to help support their everyday lives.

Our customer value proposition
A family of simple, affordable and accessible consumer finance products and channels.

Our markets
Countries with high proportions of low to medium income communities.

Promises	Flexible	Transparent	Valued	Supported	Personal	Timely
Capabilities	Products and services	Communication	Great processes	Customer experience culture	Systems, tech and data	
Products and services	Instalment loans	Credit cards	Revolving credit lines	Mobile wallet	Insurances	Other value-added services
Channel	Customer representative	Hybrid	Digital	Call centre	Retail partnerships	

Think Customer programme

Our Think Customer programme enables the delivery of our customer vision. It is a programme dedicated to putting our customers at the heart of the business and the decisions we make, enabling our colleagues to deliver superior customer experience. The programme is now well established in our home credit businesses and will be extended to our digital businesses in 2024. Through this programme we have:

- mapped our customer journeys and use this insight to help us focus on where we can improve the current customer experience;
- identified the moments that really matter to our customers, to ensure we are there at these times to respond to their needs;
- clearly communicated our customer promises and ensure we deliver on them every time, for every customer;
- focused behaviours and relationships to make sure we can truly empathise with our customers; and
- sought to measure our performance from our customers' perspective, using a voice-of-the-customer programme to understand and improve how we operate.

Our Customer Promise

Flexible
You want access to a loan that meets your personal circumstances
Our promise: Our dedicated team will work with you to understand your needs and find products and services tailored to your circumstances. You can choose different loan terms and repayment options to meet your personal situation.

Valued
You want to be recognised and appreciated for your custom
Our promise: We value our relationship with you and will go the extra mile to appreciate your commitment. We will communicate with you in a relevant and timely way. We do our best to give you access to additional services, rewards, discounts and special offers.

Personal
You want a trusted partner
Our promise: We treat you with humanity. We don't hide behind jargon and difficult language. Our colleagues will explain the terms of your credit agreement, the repayment terms and any risks connected with missed repayments in an easy to understand way.

Transparent
You want clear information and no surprises
Our promise: We won't hide behind the small print. We will provide you with clear terms and conditions in an easy-to-understand way. You will know all the costs and borrowing options available to you from the beginning to the end of your relationship with us. Your repayment instalments and total amount owed won't change during the contract.

Supported
You want us to be flexible and adapt our services when your circumstances change
Our promise: Our dedicated team are here to help and support you whenever you need us. We care about understanding your situation and your needs. If there are changes in your circumstances, we will be flexible and work with you to find a solution to help you and keep you in control.

Timely
You want a convenient and effortless application process
Our promise: Our flexible application processes mean you can choose the one that is right for you. You can apply online, by calling our contact centre or have one of our customer representatives visit you at home. After signing the contract, you will receive the funds quickly in cash, by cheque or payment into your bank account.

Monitoring what our customers think

In 2023, we evolved the way in which we track our customer experience with the introduction of a revised set of metrics. A single Think Customer dashboard for each market is published and reviewed monthly by senior management, and actions taken where required. We also monitor our performance with customers using a series of measures including transactional satisfaction with our products, and satisfaction with customer representatives and call centre colleagues. In addition, we review and monitor satisfaction with key processes such as issuing loans, and engaging with our website and colleagues. There are also specific customer surveys focusing on our customers post-sale understanding of the products and services they have chosen. The level of service we provide continued to be excellent in 2023 as demonstrated by our Net Promoter Score (NPS) benchmarking assessments which, at December 2023, was +69 for the Group and unchanged compared to 2022.

Customer Appreciation Week

Our customers want to feel valued and appreciated. We have designed a programme of activities to show our customers that we care. During Easter 2023, we visited 770 customers and gave them a gift as part of our first European home credit Customer Appreciation Week.

Meeting our customers' changing needs

Increasingly, consumers want easy, fast access to their finances and to be able to use online and mobile channels when they interact with their financial providers. We have responded by building our product and channel range to reflect this trend. In 2023, we significantly increased the roll out of our new credit card offering in Poland, launched our mobile wallet in Mexico and introduced digital lending in Romania.

Investment in our digital capabilities throughout 2023 enabled us to improve customer engagement as well as deliver on our customers' increased expectations to be able to self-serve through our mobile wallet or customer apps. Following a successful test in 2022, we extended our retail partnership strategy to expand our reach in Romania by linking with leading retailers eMAG and Flanco.

See page 23 for more information.

Think Customer Heroes

Think Customer Heroes is a recognition programme for employees and customer representatives which has been designed to reward exceptional commitment to customers. Colleagues are nominated for various categories including excellent customer service, initiatives to improve our customer experience and best service quality measurement. This recognition programme is also a great way of highlighting best practices to other colleagues.

Acting ethically

We are proud that so many of our customers are from groups that have historically been excluded from access to financial services. Around 60% of customers are female and around 40% of our home credit customers live in rural locations.

Our overall approach to customers, products and services is owned at a Group level by our Chief Marketing Officer, who works closely with Heads of Marketing in each market. Consideration of new products and assessment of the performance of existing products from a customer satisfaction perspective is reviewed regularly by Local Product Development Committees, which are established in each of our markets. More significant product, promotion and pricing changes are reviewed by the Global Product Development Committee, which is chaired by the Chief Marketing Officer. Product risk is one of the key risks in our Group Enterprise Risk Framework which enables this risk category to be monitored and appropriate mitigation measures undertaken where required. Ultimately, the Board oversees the management of customers and receives regular market intelligence tracking the Group's performance on a range of customer-related metrics.

In every market, all our marketing communications are prepared with the objective of meeting relevant legal and regulatory standards, and to ensure our customers understand the credit commitment they are choosing. Our advertisements, promotions and product information are created in a way that they are easily understood, accurate, do not mislead and comply with applicable regulation. We are always very clear when it comes to the price of our products with all cost information explained clearly in our contracts with consumers. Our Global Pricing and Promotions Policy sets out how we ensure fair advertising policies and procedures globally, which are complemented by market guidelines on this topic.

As part of our commitment to responsible lending, we emphasise prudent practices at the credit underwriting stage to proactively mitigate potential debt-related challenges. Our approach includes a thorough examination of internal and external data and a comprehensive assessment of customers' income and expenses to ensure loan affordability. In the home credit businesses, where our customer representatives establish a direct relationship with customers, we benefit from early insights into potential repayment issues. This personalised interaction allows us to address concerns proactively. In instances where a customer encounters difficulties, we allow borrowers to miss or make reduced repayments, although we are careful to ensure that extended use of this option does not lead to financial difficulty.

Should a customer go into arrears, we demonstrate forbearance by collaborating on short-term arrangements tailored to their circumstances. It is important to note that we do not restructure debts to bring customers back into compliance, as this could distort our impairment metrics and potentially mislead other lenders, given the lack of appropriate markers in credit bureaux across all our markets. In cases where customers find themselves in arrears, we exhibit flexibility to try and come to a mutually acceptable repayment solution with them. In fact, around 95% of our customers in arrears are not charged late fees. If a customer successfully repays the loan, and their repayment levels align with our minimum loan instalment requirements, we are open to rewriting a loan to better suit their financial situation. This reflects our commitment to supporting customers on their journey to financial stability.

Handling complaints

We recognise the pivotal role of an effective complaints handling process in fostering transparency, trust and ongoing improvement. All complaints are handled in accordance with our complaints policies and relevant legal and regulatory requirements and are designed to be easily accessible for our clients.

We seek to enable customers to make complaints through a range of channels, including online, via the telephone or in-person visits. Each complaint is logged and categorised, based on severity and complexity considerations. Straightforward complaints are resolved promptly at this initial stage. For more complex cases, a formal investigation is undertaken involving our dedicated complaints team, with appropriate actions taken to address complaints which are upheld. Our approach extends beyond reviewing individual cases to include root cause analysis and actions to address any potential systemic issues which have been identified.

As is the case with all financial institutions, we do receive complaints from customers, but the level of complaints received by the Group in 2023 was low. In 2023, the total number of complaints received from customers by our home credit businesses in Europe and Mexico was approximately 60,000 which equates to around 4% of the total number of active home credit customers in the year. In these home credit businesses, the average complaint resolution time was 10 days. Our digital business globally received approximately 5,700 customer complaints in 2023, a figure equating to approximately 3% of total customers and the resolution of complaints typically took between 14 and 21 days. In 2024, we will continue to monitor complaints trends and address underlying root causes when identified.

Our colleagues

We believe passionately that the power of our people and our strong culture are key drivers of business performance. Our people strategy continues to focus on ensuring that we recruit, develop, reward and retain the high-performing people required to deliver our purpose. Throughout 2023, we continued to provide high-quality learning and personal development opportunities, and enhanced our value proposition and experience for our customer representatives. We also continued to maintain strong levels of engagement, as demonstrated by the results of our 2023 Global People Survey which is covered in more detail on page 54.

As at 31 December 2023, we had around 21,000 colleagues globally and in 2023 we recruited approximately 9,000 people across our different markets.

Diversity and inclusion

The Group is an equal opportunities employer. It is our policy that no job applicant, employee, or customer representative will receive less favourable treatment because of their race, colour, nationality, ethnic or other national origin, gender, sexual orientation, marital status, age, disability or religion. The purpose of this policy is to ensure that recruitment and progression opportunities are open to all and are based purely on merit, with all employees having the same access to training and career development. We also give full and fair consideration to applications for employment from disabled people. If an employee becomes disabled, we make every effort to ensure their employment with the Group continues and reasonable adjustments are arranged where necessary.

We undertake a wide range of activities to promote gender diversity across the organisation. This includes creating specific groups for women and offering training and mentoring designed specifically to encourage internal mobility, so that pathways for promotion are accessible to all employees.

Power of Inclusion conference

In March 2023, we held our second Power of Inclusion conference. This global online event covered a range of inclusion-related topics including how our purpose is designed to support being an inclusive employer and how neurodiversity impacts the workplace. The conference was attended by around 1,400 colleagues and featured all markets globally sharing best practice on a wide spectrum of diversity topics.

The gender split of our employed workforce is set out in the chart on page 55. The overall gender balance across the Group including all employees and customer representatives is approximately 80% female and 20% male. This reflects our large and unique customer representative workforce which is predominantly female and the fact that the majority of our front-line management roles, known as Business Relationship Managers (BRMs), are also held by women. In our European home credit business around 80% of BRMs are female. In our Mexico home credit business equivalent roles are approximately 50% held by women, up from around 11% in 2018. This improvement has been achieved through specific programmes that have sought to encourage greater gender diversity. The proportion of female senior management including direct reports of the Chief Executive Officer across the Group was 26% in 2023.

80%

of Business Relationship Managers are female

As a result of our activities to promote gender diversity,we were recognised for our efforts in several of our markets in 2023.

Los Mejores Lugares para Trabajar™ para Mujeres – Great Place To Work. México 2023

Our digital business in Mexico was recognised as a Best Workplace™ for Women by Great Place to Work.

FAIR TO WOMEN | THE BEST OF 2023

Our business in Poland received the title of Fair to Women, awarded to organisations for promoting equal treatment and equal opportunities for women.

CHARTA DIVERZITY

Our business in the Czech Republic is a Golden Signatory to the European Diversity Charter and was awarded a silver medal by the European Commission's Diversity Charter in recognition of its commitment to advancing diversity and inclusion in the workplace.

Fair pay and reward

Our comprehensive total reward approach is designed to attract, retain and engage our employees. It comprises a combination of monetary and non-monetary rewards, encompassing all aspects of our colleagues' experience with the organisation. Our pay and benefits are competitive and equitable to attract and retain talent capable of delivering the Group's strategy. Our performance pay and recognition have been developed to motivate and reward sustainable performance and the achievement of specific personal objectives aligned to our Next Gen strategy. More details are available in the Directors' Remuneration Report starting on page 110.

A key aspect of our approach is in ensuring that regular performance appraisals and feedback take place. Our performance management approach, 'Let's Talk Me', has been in place for more than 10 years and is a people-focused process that covers all employees and brings together a review of individual performance and development on an annual basis. These assessments drive development opportunities for employees across our markets.

Annual Learning Festival

In October 2023, we held our third global annual Learning Festival. The week-long festival comprised a mix of local and global events, and attracted 11,500 individual participations, both virtually and in person. The Festival's virtual global sessions were hosted by 21 internal and external speakers including Amazon Web Services, who brought their insight on creating a culture of innovation. Local stages were tailored to our individual markets and attracted over 9,500 attendees to 90+ sessions hosted by 120 speakers. Topics covered included personal development; technology and innovation; AI; psychological safety; and diversity.

Investing in personal development

Our human resources function includes a dedicated talent and development team which has responsibility for supporting colleagues' personal and career development needs. All colleagues are required to undertake specific mandatory training throughout the year covering areas such as health and safety and data protection to ensure that they have the capabilities necessary to undertake their roles. Beyond compulsory training elements, we also support our colleagues by providing access to high quality and relevant development opportunities – ensuring that we improve performance, increase engagement, and develop future leaders. Development opportunities are available for all colleagues, both employed and self-employed.

In 2023, we continued to evolve our career development programme for our customer-facing colleagues, building on our established learning academies by providing structured development pathways for over 16,000 customer representatives. The academies cover topics such as professional skills, personal development, and financial education.

We created dedicated leadership development pathways for our sales leaders through our 'MyBusiness' programme, which aims to equip future sales leaders with the skills to thrive in new roles. The programme covers areas such as building a commercial mindset and sales leadership. It also includes workshops delivered by our finance function, individual development sessions with internal development consultants and leadership assessment tools from external providers.

Using our global learning management system, we created and shared global development opportunities, whilst also partnering with LinkedIn Learning, Pluralsight, and Harvard Business School to provide development materials and experiences for colleagues throughout the Group.

The table below sets out the number of colleagues provided with training and development opportunities in 2023

		European home credit	Mexico home credit	IPF Digital	UK	Total
Number of people trained in 2023	Customer representatives	7,605	9,683	n/a	n/a	17,288
	All other employees	2,616	2,783	143	130	5,672
Number of training programmes delivered in 2023	Customer representatives	110	5	n/a	n/a	115
	All other employees	324	19	16	32	391

Care and wellbeing for our people

We place substantial emphasis on ensuring that our people are safe and connected, and feel a true sense of wellbeing, both because it is the right thing to do and also because our ability to serve our customers well relies on having highly engaged and skilled colleagues who adhere to our values and ethics. CARE is how we describe our approach towards our people, and it sits at the heart of our culture.

In 2023, our CARE plan focused on four key pillars:

- engaging with our colleagues to understand which elements of wellbeing are most important to them;
- mental health;
- activities to improve physical health; and
- social events to increase togetherness.

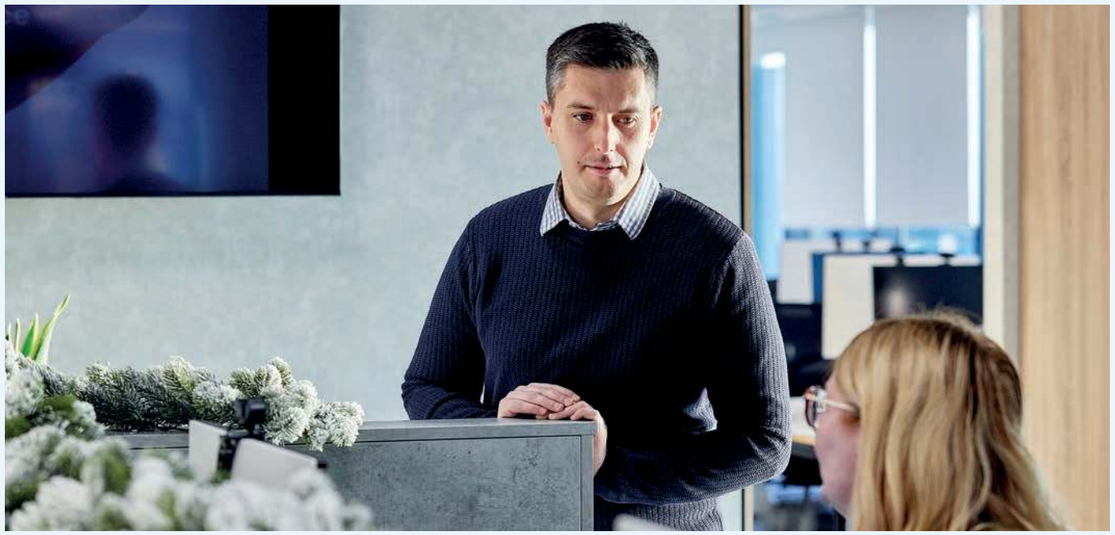
Highlights in 2023 included our Romanian business being recognised as a Top Wellbeing Employer of the year; a number of colleagues becoming accredited as mental health first aiders across the business; a range of health screening campaigns; and many social events created to bring colleagues together.

From a policy perspective we support freedom of association, fair terms of employment, safe working conditions for our employees and collective bargaining, consistent with our position as a signatory of the UN Global Compact. We also have flexible working policies in place in all markets for all employees encouraging a healthy work-life balance. In addition to these policies, we also have part-time roles and maternity/paternity options.

Developing customer representatives

We work with over 16,000 customer representatives who serve our home credit customers across five different countries. They are critical to our business and delivering financial inclusion. Following an extensive process of engagement including a comprehensive series of focus groups, we refreshed our customer representative experience in 2023. We created seven programme streams from recruitment and onboarding to recognition and communication. The result was the creation of dedicated learning pathways and refreshed communications processes – including new customer representative forums and more recognition schemes for high-performers.

The results of our 2023 Global People Survey demonstrate that this initiative has contributed to a material uplift in positive sentiment among customer representatives – with a 95% participation rate, improved outcomes in 3 of the 4 areas covered by the survey and a 10% increase in their "Cared" score. See page 54 for more details.



In 2023, we completed our programme of establishing formal employee and customer representative forums for all our home credit markets. These forums are designed to be representative of the entire workforce in terms of location, business division, length of service and seniority and are designed to enable the views of colleagues on a range of key matters to be heard.

Another key method for understanding the views of colleagues is our Global People Survey, which informs our people strategy and was undertaken in 2023. The survey assesses cultural alignment under four dimensions – pride, cared, challenged and inspired. We received a total of 20,605 responses, equating to a 95% completion rate, which is 2% higher than in 2021 when we last ran this survey. The overall positive responses were 81% for our customer representative population, and 77% for our employee group.

2023 Global People Survey results

The key themes emerging from the survey and subsequent focus groups were:

Pride

Our view

There is a strong positive correlation to our purpose of building a better world through financial inclusion and colleague pride. As a result, we will continue to ensure that everyone understands their role in delivering our purpose and build on our employee value proposition.

Cared

Our view

Our people appreciate the focus that the Group places on wellbeing and the attention placed on caring for people. As a result, we will continue to evolve the work we are doing, building a strong programme of activity around psychosocial risk and wellbeing throughout 2024.

Challenged

Our view

A key theme is ensuring that we have the right management capability and tools to lead our teams and business. Colleagues appreciate the investment in their careers and personal growth and development, and it is important that we continue to invest to ensure our people have the right capabilities.

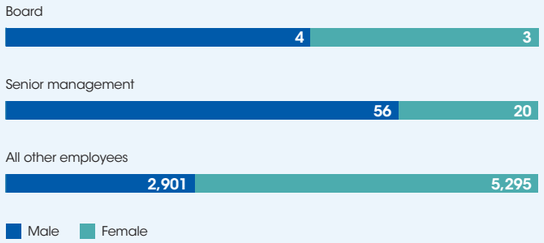
Inspired

Our view

Our people believe strongly in our values of being responsible, respectful and straightforward, and we need to continue to maintain awareness and ensure alignment with our values for existing and new colleagues.

Our colleagues in numbers

Gender split of employees at 31 December 2023



* All other employees* include customer representatives in Hungary and Romania where they are employed to meet local legislation

Gender split of all colleagues including self-employed customer representatives

	Total			
	Male		Female	
	Count	%	Count	%
Senior management	56	74%	20	26%
All other employees (except customer representatives)	2,369	47%	2,708	53%
Customer representatives	2,008	13%	14,053	87%

Senior management includes two executive directors

Age split

	Total
Senior management	**76**
Under 30	0
30 to 50	54
50+	22
All other employees*	**5,077**
Under 30	849
30 to 50	3,697
50+	531
Customer representatives	**16,061**
Under 30	2,814
30 to 50	8,992
50+	4,255

Colleague turnover and stability

	Total
Stability of employees*	80%
Turnover of employees*	22%
Stability of customer representatives	68%
Turnover of customer representatives	41%

* Employees excludes customer representatives in Hungary and Romania. These are included in the customer representative category.

Our suppliers

Our goal is to co-operate with informed and engaged suppliers who understand how their products and services contribute to the delivery of our purpose and business goals and who also act according to our values and culture.

Our supply chain

In 2023, we spent around £181m on a broad range of products and services with almost 2,700 suppliers globally. We categorise our suppliers into four tiers – strategic, critical, leverage and routine, depending on an assessment of defined business risk factors and spend. Of our global suppliers approximately 120 are deemed strategic or critical. The major areas of expenditure within our supply chain are marketing, property services, professional services and IT.

Doing business responsibly with suppliers

Our procurement and supplier management activities are provided by an internal procurement function, which is part of the Group's broader finance function. The procurement function is responsible for managing risks relating to supplier relationships including potential breaches to approved sourcing processes. Their actions are overseen in each of our markets by a Local Procurement Committee, which comprises members of the local board and procurement function, and which meets every quarter. Important matters, including any suppliers evaluated as high risk, are reported subsequently to the Global Procurement Committee which meets on a quarterly basis and comprises members of the Group's procurement, finance, legal, and internal audit functions.

The Group's Global Responsible Procurement Policy and Global Procurement Standards document the minimum standards for our engagement with suppliers, including sourcing, supplier selection, supplier risk management, contract requirements and supplier management and evaluation processes. The Group's Global Responsible Procurement Policy is approved by the Chief Financial Officer.

Creating a sustainable supply chain

Our Global Responsible Procurement Policy and Global Procurement Standards detail our approach to managing our supply chain sustainably. Our supplier due diligence process involves identifying, assessing and monitoring supplier practices in the areas of human and labour rights, the environment, health and safety and anti-corruption. This is achieved through the undertaking of a risk assessment with suppliers against relevant standards in each of these areas. This effort is designed to ensure that relevant principles and standards are upheld throughout our supply chain and is in line with our commitment to the UN Global Compact.

Our Board recently approved our updated Code of Ethics which will be shared with all our strategic and critical suppliers who are required to adhere to equivalent behaviours and standards. Suppliers can raise any matters of concern through our whistleblowing channels.

We pay suppliers promptly and within contracted periods.

We believe that given the markets we operate in, modern slavery and human rights remain the most significant potential sustainability risks within our supply chain. In 2023, we undertook a comprehensive human rights and modern slavery assessment process which identified suppliers of cleaning, maintenance and facilities services to be the greatest potential risks areas in our supply chain. Following this assessment, we amended our supplier segmentation procedure to include these risks in our evaluation criteria and extended our definition of critical suppliers to include relevant suppliers. This will mean that over the next 12 months all suppliers in these categories will be evaluated for human rights and modern slavery risk.

Engaging with suppliers

The procurement function engages with suppliers to better understand their perspectives on the Group. Those suppliers which are assessed as strategic or critical are the focus of our engagement activity. Engagement takes place through multiple channels, from discussing with specific suppliers when at the point of contract renewal or termination, tender processes with existing and potential suppliers and dedicated supplier relationship management activities. The discussions with existing suppliers address their performance including on sustainability matters. The materiality assessment process, which is explained in more detail on page 47, was another source of useful insight on what matters to our suppliers.

In 2024, we intend to build on the progress made in 2023 and plan to work with suppliers to reduce their greenhouse gas emissions, extend the number of suppliers covered by our risk management evaluation procedures and continue to integrate sustainability considerations into our Global Procurement Standards.

Our communities

We are committed to contributing to the social and economic development of the communities in which we operate. Our main focus is on helping those groups who struggle with financial inclusion, by ensuring their stories are heard and supporting financial education activities, both directly and via NGOs.

We also invest in a broad range of community activities which are important to our colleagues and communities. By fostering financial inclusivity and social equity, we aim to create more sustainable and resilient communities. Our community strategy comprises three elements - our Invisibles programme, financial education and colleague volunteering opportunities.

There are several ways in which we support our communities: financial contributions, in-kind contributions and employee involvement. Our total financial community investment in 2023 was £893,000.

The Invisibles programme

We recognise that financial vulnerability, stemming primarily from economic disparities, poses a significant challenge and that we have an important role to play in addressing this issue.

Our Invisibles programme was created to ensure those segments of society that currently struggle to access financial services become visible to stakeholders and are also provided with practical help. The programme has four elements:

1. **Identify:** Studies commissioned by independent third parties to identify the underbanked groups in each of our markets provided meaningful insights concerning the specific challenges they face.
2. **Highlight**: Publish the results of the study to highlight the insights we have gathered and what it means for that market.
3. **Engage:** Initiate dialogue with relevant stakeholders on what practical steps would improve the situation of the identified invisible groups.
4. **Help:** Identify a relevant NGO partner to enable joint working to offer help to one or more selected invisible groups.

The programme allows us to focus on the most vulnerable groups in society and help to address their specific needs. By the end of 2023, all four elements had been established across all our European markets and the programme had been launched in Mexico. The total number of people we helped through the programme during the year was approximately 69,000.

In 2024, we plan to extend our efforts to reach new invisible groups and we remain dedicated to advancing our social initiatives to make a lasting and positive impact on financially vulnerable people.

Financial education

We are supporting children in Hungary to develop their financial literacy skills.

"Financial literacy is a crucial life skill that empowers individuals to make informed decisions about their finances, plan for the future, and secure their financial wellbeing. In most markets where we operate a significant proportion of the population lack the knowledge necessary to make sound financial choices."

Our research into financial wellbeing suggests many people in our markets do not receive a formal financial education and would value the opportunity to learn more about financial management.

We have implemented comprehensive financial literacy programmes targeted at empowering financially vulnerable individuals. These initiatives, include workshops, webinars and educational materials aimed at improving financial knowledge, developing budgeting skills and supporting long-term financial planning

They also provide volunteering opportunities for our colleagues to impart their knowledge and expertise on these topics for the benefit of financially vulnerable individuals.

£893,000

invested in our communities

3,295

colleagues volunteered in their communities

Colleague volunteering

Our team in Romania dedicated time to help renovate properties at Motivation Camp, an initiative supporting people with disabilities in learning how to adapt to using their motorised wheelchair.

Thousands of our colleagues make a difference in their communities through volunteering in both company time and their own.

In 2023, they donated their time and skills to support a range of community projects from financial education to environmental causes. Our volunteering programme also helps improve teamwork, engagement and motivation.

Our focus for volunteering is brought together with our annual Volunteer and Financial Inclusion Month, which we organise each May. This exciting international effort brings colleagues together from ten countries to take positive action in the communities they serve and to support local causes through volunteering and fund raising. In 2023, some of the events were linked to our Invisibles programme while others supported environmental and local charity fund raising efforts.

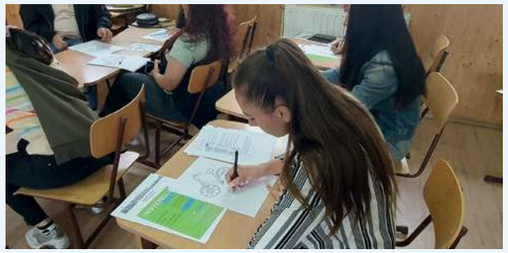
For the year as a whole, around 3,295 colleagues volunteered to support charities and people in need.

Colleagues in Poland getting props ready to host a workshop for children to discuss finances, savings and entrepreneurship.

Invisibles and financial literacy in action

Mexico: Funding provided to Save the Children by our Mexico home credit business was used to help 'invisible' young adult migrants access the labour market. The partnership was aimed at developing their employability skills and around 1,000 people participated in the programme.

We also ran five financial education programmes during 2023 in conjunction with a number of NGOs which enabled around 15,000 students from Puebla, Nuevo León, Guanajuato and Guadalajara to build their financial knowledge.



Poland: We partnered with the Polish Federation of Consumers and Ukrainian Women in Poland to launch our 'Don't be invisible' financial and customer education programme. We organised workshops for 200 female refugees from Ukraine to build their knowledge of financial and consumers' rights in Poland. The programme was also recognised with a Golden Laurel Award. We also created an award-winning fairy tale for children focused on personal finance in conjunction with the Zaczytani Foundation. The book, which was also recorded by our employees and customer representatives to create an audio version, was distributed to 14,000 schools, youth centres and childcare organisations across Poland.

Hungary: We partnered with a leading Hungarian charity that helps families living in poverty to provide a programme on financial education. We also began working with the Semmelweis Medical University to undertake a roadshow around the country offering financial and health education to seniors.

Czech Republic: We highlighted the lack of support for social workers, who can be financially vulnerable and often have limited mental health support. We worked with a local NGO to help address these challenges.

Romania: We created an online education platform to help economically marginalised groups re-enter the workforce, which was used by more than 15,000 visitors to the site during the year. We also provided workshops on employability, financial education and change management which were attended by over 600 people.

Educating the next generation

In Hungary, as part of our long-term financial literacy programme, we supported a financial literacy summer camp for 30 children whose families live in extreme poverty. Organised with our established community partner, Hungarian Interchurch Aid (HIA), the children developed new skills ranging from sport to learning about money and basic finances.

> "The Invisibles programme addresses the financial vulnerability and illiteracy of our clients which impedes them from progressing with their lives. This partnership allows us to offer financial education in a sustainable and impactful way."

Laszlo Lehel,
Chair and CEO of Hungarian Interchurch Aid.

IPF Digital: Our digital business in Mexico collaborated with leading NGO, AMFE (Mexican Association of Financial Entities), to create engaging and easily accessible financial literacy content including a comic to help our customers develop their financial skills.

IPF in society

Our Code of Ethics

Our Code of Ethics is designed to ensure everyone working for the Group understands how we deliver on our purpose and how to act ethically and with integrity at all times. Our Board recently approved our updated Code of Ethics which can be viewed on the policies section of our website at www.ipfin.co.uk. The Chief Legal Officer has Board responsibility for oversight of ethical issues.

The Code communicates the minimum standards which we expect from all colleagues. We take breaches of our Code of Ethics very seriously and they could result in disciplinary action. If our colleagues have any concerns about the provisions of the Code not being followed, we encourage them to report this at the earliest opportunity. Whistleblowing processes are available if for any reason reporting to line management is not appropriate or preferred.

In 2023, we held our ninth annual global Ethics Week which is a series of events, training and communications for all full and part-time employees and customer representatives on topics relating to ethics. 97% of all employees and customer representatives globally completed our online annual ethics training in 2023.

Our updated Code of Ethics will be translated into local language and communicated to all employees and customer representatives throughout 2024 to ensure all of our people understand its requirements fully and the part they have to play in upholding the Code. The Code will underpin all activities planned for our 2024 Ethics Week.

Human rights

The Group is a member of the UN Global Compact. Our commitment to this initiative, together with the standards of the United Nations Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights, is set out in our Corporate Sustainability Policy and our specific approach to human rights is set out in our Human Rights Policy. Both policies can be accessed on the policies section of our website and are approved by our Board.

Our Human Rights Policy sets out our commitment across the entire Group to respecting internationally recognised human rights standards and codifies our responsibility to take appropriate steps to identify, prevent and mitigate human rights risks and to take action to remedy any adverse impacts we identify. This Policy sets out our risk assessment procedures and controls to detect and mitigate human rights risk in our business and supply chain together with our approach to raise awareness of these absolute and fundamental rights. In 2024, we plan to undertake additional targeted due diligence on suppliers we assess to be as high risk for potential modern slavery and human rights violations.

Combating financial crime

We are committed to combating fraud, bribery, extortion, collusion, money laundering, tax evasion, terrorist financing and all forms of financial crime and corruption and have a zero-tolerance approach to these matters.

The Group Fraud Manual and the Group Anti-Money Laundering (AML) Framework define minimum standards and controls for all markets on fraud, AML, terrorist financing and financial crime. Our markets can create additional requirements to reflect local legislative requirements. The Group Fraud Risk and AML Manager has overall responsibility for the development and implementation of these controls and standards and leads a dedicated loss prevention function, which operates in all of our markets and ensures adherence to the Group standards. Management information is monitored to track trends and patterns of behaviour relating to fraud and AML risks. Suspected frauds and instances of money laundering are investigated by the loss prevention function and, where identified, appropriate steps taken to address underlying control weaknesses.

Compliance with these standards is overseen on a market basis by local Loss Prevention Committees, comprising senior management in each market, which reviews management information to track trends and patterns of fraud. The output of this activity is then monitored at Group level via the Group Credit Committee. The Group's Audit and Risk Committee has oversight of these systems and controls and receives bi-annual updates on this topic.

The Group Fraud Risk and AML Manager carries out annual reviews of each market's systems and controls to ensure compliance with the minimum standards detailed in the Group Fraud Manual and the Group AML Framework as well as reporting quarterly to the Group Risk Assessment Group as risk owner of the fraud and AML risk category.

In 2023, incidents of fraud remained low and within risk appetite. Continued improvements in the fraud control environment were also evident following the implementation of new technology solutions. In 2024, we intend to leverage this technology further to improve efficiencies and effectiveness in our fraud detection capabilities.

To ensure that the Group is not used to launder the proceeds of criminal activity and/or facilitate the financing of terrorist organisations, a variety of methods are used to ensure compliance with legislative requirements. These include automated processes to perform checks against sanctions lists and high-risk countries, and transaction monitoring against defined thresholds at the point of credit application and during the lifetime of a loan.

Bribery and corruption

Our commitment to countering bribery and corruption is detailed in our Anti-Bribery and Corruption Policy, which is approved by our Board and available on the policies section of our website. This Policy seeks to ensure the Group complies with anti-bribery and corruption laws in all markets where we do business as well as complying with the requirements of the UK Bribery Act. To ensure compliance with the policy, we conduct market-level anti-bribery risk assessments annually. Corruption risks are managed by an established framework including first line functional controls, second line oversight and specialised risk management with control assurance and investigations conducted by subject matter experts and third line independent assurance provided by the Group's internal audit function.

In 2023, we revised our Anti-Bribery and Corruption Policy to formalise the Group's zero-tolerance approach to corruption and our mechanisms and controls to combat bribery and corruption including risk assessments and annual compliance checks, along with our processes for recording and assessing conflicts of interest and gifts and hospitality. Training on this topic was provided for employees and customer representatives in 2023 and relevant functions received additional targeted training. There were no substantiated reports of bribery or corruption in 2023 across the Group.

Whistleblowing

The Group has mechanisms to enable individuals to raise concerns about wrongdoing or breaches of the law in the Group's operations or business relationships. These internal and external mechanisms for seeking advice and reporting concerns about unethical or unlawful behaviour and organisational integrity are formalised in the Group Whistleblowing Policy which is approved annually by the Board and available on the policies section of our website. This Policy, which is implemented in local language in all the markets in which we operate, states that there should be no retaliation against whistleblowers, sets out how to raise a concern and details processes for ensuring reports are handled properly.

Anyone, including all employees, customer representatives, customers and suppliers, can raise concerns through the whistleblowing processes which the Group has in place. Reports can be made to independent services which are available at any time and enable concerns to be raised in a variety of languages, and anonymously if preferred. All whistleblowing matters, however reported, come under the governance processes set out in the Group's Whistleblowing Policy.

The Whistleblowing Policy and relating processes are owned by the Chief Legal Officer and maintained by the Group legal function. These whistleblowing systems and investigation processes are overseen by the Group Ethics Committee, which comprises the Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer and Chief Legal Officer. The Committee receives quarterly updates on outstanding whistleblowing cases and acts as an immediate escalation point for any cases assessed as "significant". The Group's Audit and Risk Committee receives bi-annual reports from the Chief Legal Officer covering statistical data on whistleblowing reports and a summary of notable cases and key follow-up activity from the previous reporting period.

We perform an annual compliance check to ensure that whistleblowing policies and processes are embedded in all our markets, governance is in place for escalation, investigation and reporting of cases, local boards are engaged in the importance of whistleblowing, the service is well communicated across the business and whistleblowers are protected from retaliation. Our whistleblowing processes comply with all requirements of the EU Whistleblowing Directive and local implementing legislation.

In 2023, we updated our Group Whistleblowing Policy and processes to reflect developing best practice in this area. We continued to embed processes and raise awareness through internal communications to our employees and customer representatives and our annual ethics training, which included the importance of this issue. We appointed our legal directors to champion the importance of speaking up and the value that this transparency brings to our business.

In 2023, a total of 438 whistleblowing reports were received. All of these concerns were, or are being, investigated and resolved. 69 of the reports made (16%) were found to be unsubstantiated.

Managing conflicts of interest

Our Conflicts of Interest Policy provides colleagues in every market with the guidance necessary to know how to identify and declare potential conflicts as well as setting out requirements to manage any such conflicts ethically and in line with best practice. Our Responsible Procurement Policy and Global Procurement Standards include processes to ensure conflicts in our supplier relationships are managed appropriately.

In 2023, there was a renewed focus on ensuring the Group's policies for managing conflicts of interest were effective and reflected best practice. In 2024, we plan to provide training on managing conflicts of interest to those areas of our business where this is a particularly relevant issue and will embed our processes for recording and managing of potential conflicts across the Group.

Modern slavery and child labour

We take the steps required to ensure that no forms of modern slavery including forced labour, child labour, human trafficking or any practices detrimental to employment rights are taking place in our business.

The Group's position on modern slavery is set out in our Modern Slavery Policy, which is approved by our Board and available on the policies section of our website. It includes specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and states that the Group expects the same high standards from all of its contractors, suppliers and business partners.

Oversight of compliance with the policy is managed by the legal function, which works closely with the human resources function and procurement function. As well as overseeing the Group's Modern Slavery Policy, the Board receives an annual update showing how processes to combat this risk have performed through the year.

To address the risk of modern slavery in our own workforce, the Group's Human Resources Control Framework and relevant human resources policies are designed to ensure a safe, fair and inclusive workplace for all our employees and customer representatives. All employees are provided with a written contract of employment and steps taken to ensure that anyone employed has a right to work. The Group does not employ children and has processes in place to ensure that there are no incidents of withholding wages, confiscating documents or similar. Our annual ethics training includes modern slavery to ensure our colleagues are aware of the issues involved, understand how to identify signs of modern slavery and what to do in response.

In 2023, we updated our Global Procurement Standards to ensure that an annual risk assessment process for modern slavery is embedded across all our suppliers to identify those in a location and/or industry with a high prevalence of modern slavery risk, and carry out further due diligence on any potential coercive or exploitative practices. We include an anti-modern slavery clause in all negotiated supplier contracts and/or obtain alternative assurance on suppliers' policies and processes. There were no suspected cases of modern slavery reported in 2023.

In 2024, we will continue to enhance the measures in our supply chain designed to deal with this area. We will also update our annual e-learning training to ensure it is relevant and provide targeted training for employees involved in recruitment or procurement on this topic.

Health and safety

We are fully committed to the health, safety, and wellbeing of our colleagues. The Board has overall responsibility for this area and receives an annual safety report on performance. The Group Credit and Risk Director is the executive responsible for health and safety. The Group Safety Manager leads a global team of health and safety professionals across each of our markets, all of whom are responsible for the implementation of our Global Health and Safety Framework. Oversight, governance and assurance is also provided in each home credit business through Quarterly Safety Management Review Committees at market board level. Additionally, annual self assessments of compliance with safety management system protocols are performed by the second line control function trained to perform these reviews. Oversight is provided by the Group Safety Manager. The Group's internal audit function also performs periodic reviews of the Group's Health and Safety Control Framework.

The training programme is supplemented with periodic communications and safety campaigns reminding colleagues of the information, guidance and instructions required to maintain personal safety.

In 2023, ISO 45001 accreditation was gained by our Mexico home credit business for its occupational health and safety management system. This means that all our home credit business have now attained this standard which ensures best practice standards drive continual improvement in health and safety performance. Due to the 'low risk' office working environment within our IPF Digital operations, there is no requirement to gain ISO 45001 accreditation. However, the approach to safety management within IPF Digital follows the ISO 45001 standard principles of best practice safety management.

Mental health support

In 2023, we undertook a broad programme of work to support the business through the provision of health and safety information, advice, education, and training.

These included:

- campaigns to raise awareness of the impact of the cost-of-living crisis on our customers and wider society as financial pressures may lead to an increased risk of customer representatives experiencing a safety incident e.g. verbal threats and/or physical assaults;
- refresher training on maintaining personal safety including conflict de-escalation techniques, performing situational and dynamic risk assessments, and cash management controls;
- the provision of financial wellbeing education and awareness initiatives to support colleagues in dealing with the stresses of current economic conditions including basic financial concepts related to budgeting and managing debts;
- continued focus on psychological health and safety risk management through stress awareness training campaigns, the appointment of around 40 Mental Health First Aiders in our Romanian business and a further 17 individuals to this role in our UK head office; and
- a comprehensive psychosocial risk assessment performed for all employees in the Mexico home credit business resulting in the development of corrective and preventative measures to support around 500 colleagues identified at elevated risk of mental ill health.

57

mental health first aiders trained in 2023

The importance of reporting all health and safety-related events is crucial and colleagues are reminded continually of this requirement within their training and safety communications. All events are recorded and investigated systematically by trained personnel to determine root causes, lessons to be learned, and corrective and preventative actions to minimise the risk of reoccurrence. The table below captures the total number of workers who experienced a work-related safety event during 2023 and the harm caused by this event.

Work related safety events and harm caused 2023

		% of colleagues
Total work-related safety events	1,065	4.6%
Worker Injury Type		
No injury	696	3.0%
Minor injury	201	0.9%
Moderate injury	134	0.6%
Serious injury (requiring hospital treatment)	34	0.1%
Life-threatening injury	0	0.0%
Fatalities	0	0.0%

A key highlight in 2023 was the development of the Group's Global Framework for the Management of Psychological Health, Safety and Wellbeing. This was defined based on ISO 45003, the first global standard guiding employers on managing mental health and wellbeing in the workplace. The Group Safety Manager led a cross-functional, cross-business working group to define the best practice requirements which will be provided to all markets for review and implementation during 2024. This year we will focus on the implementation of the Group's Global Framework for the Management of Psychological Health, Safety and Wellbeing with the view to attain ISO 45003 certification in 2025.

Data privacy

The data security of our customers, colleagues and partners is paramount. We process large amounts of personal information every day and take our data protection responsibilities seriously. We are committed to protecting the privacy of our stakeholders.

Our approach to data protection reflects the following principles:

- We only collect data that is relevant, we use it solely for the purpose for which it was collected and we apply further minimisation rules.
- We are transparent on how we use personal data.
- We process data lawfully, including by obtaining consent from individuals including in accordance with local law when processing personal data.
- We correct inaccurate information when requested and respect individual legal rights.
- We keep personal data confidential and secure.

Compliance with data protection and privacy legislation is achieved through our Group Data Protection Policy which is reviewed annually and documents the risks that need to be managed and control standards that need to be adhered to, to ensure all personal information is protected and individuals' data protection rights are observed. Breaching of the policy may result in disciplinary action including contract termination. This policy is aligned not only to our purpose, but also to the data protection legislation which applies to the Group. Data privacy is a key part of our Code of Ethics so that every employee is clear on what they need to do on this area.

The policy is supported by more detailed Group Data Protection Standards. The Policy and Data Protection Standards are owned and overseen by the Group Data Protection Officer (GDPO) and Board accountability is owned by the Chief Legal Officer.

The GDPO is supported by a data privacy team which comprises Data Protection Officers appointed in each of our markets who provide advice and support for the wider business on data protection matters and provide assurance on this area. They also act as a contact point for the data protection authorities and individuals in our markets who request information regarding the processing of personal information. A data protection compliance monitoring programme is in place aiming to monitor effectiveness of our controls and oversight measures and enable corrective actions, if required.

The policy requires the production of a group data privacy plan annually under the leadership of the GDPO. The Data Protection Officers in our markets report regularly to the GDPO and to their market boards on how the data privacy plan is being implemented in their market. The Group Audit and Risk Committee provides oversight of the delivery of the Group Data Privacy Plan globally.

All our employees and customer representatives are required to complete data protection training annually to ensure they understand the obligations placed on them in relation to data protection. In addition, customised data protection training is delivered for specific business areas where required.

To ensure appropriate personal data protection and information security safeguards are in place, we expect our suppliers to follow data protection principles which we implement through due diligence and contracting processes.

Management of data breaches is governed through a Data Breach Policy documenting the plan to undertake together with roles and responsibilities. Data breaches can occur in the form of a malicious attack or accidental error and can be widespread or impact one individual. We operate a robust process to ensure data breaches are identified, reported and resolved appropriately.

Whilst errors occur from time to time, in 2023 we experienced only one significant case of which we notified both the competent data protection authority and the impacted data subjects. This case was caused by human error and we undertook appropriate follow-up actions to resolve this incident.

In 2024, we will look to further enhance our privacy compliance monitoring and ensure the impact of external data protection developments are managed appropriately.

Cybersecurity

Our Cybersecurity Governance Framework is designed to ensure accountability, oversight and protection of the Group against cyber risks. These are formalised in our Group Information Security Framework and our Information and Cybersecurity Standards which apply the standards required in all our markets and are owned by the Group Chief Information Officer. To ensure these requirements are met, there is a dedicated cybersecurity team in every market, responsible for implementing and maintaining local cybersecurity measures in line with our Group Standards. These teams are tasked with local adaption and enforcement of the Standards, conducting regular risk assessments and ensuring compliance with Group and local regulatory requirements. Our security monitoring systems are supported by a 24/7 Security Operations Centre (SOC), a crucial role in early breach detection. We have security incident management procedures in place.

Employee awareness is a critical component of our cybersecurity strategy. Mandatory training programmes and regular awareness campaigns are conducted to ensure that all colleagues are familiar with cybersecurity principles. Each employee receives mandatory training before accessing the Group's information and later undergoes refresher training on an annual basis. The effectiveness of these initiatives is assessed regularly through targeted phishing test campaigns.

Across the business we apply personal data security measures reflecting the risks, and follow best practices in managing information security, for example, ISO 27001 specifications and the National Institute of Standards and Technology (NIST) framework.

Particular areas of focus in 2023 included improving security monitoring capabilities, strengthening security controls in relation to cloud processing and enhancing employee training and awareness. In 2024, we will focus on further improvements in detecting breaches, testing incident management procedures and aligning risk management processes in this area to DORA (Digital Operational Resilience Act) requirements.

Anti-competition

We are committed to the principles and spirit of competition law and similar laws in all markets in which we operate.

We recently updated our Competition Law Policy to ensure employees understand these principles and do not engage in anti-competitive behaviour. A copy of our policy is available to view on the policies section of the website.

The Group was not subject to any regulatory findings or legal action relating to anti-competitive behaviour or breach of anti-trust or monopoly legislation in 2023.

Compliance with law and regulation

We comply with all relevant laws and regulations in all markets in which we operate. We support regulation which protects consumers and ensures that only responsible businesses are permitted to provide financial products. The Group's Consumer Protection Regulatory Compliance Management Framework sets out the policies, procedures, structures and responsibilities required to be implemented in all markets to identify and manage compliance obligations across the Group. The focus of the framework is to provide assurance that the Group's consumer credit products and services are transparent and ethical as well as compliant with applicable regulatory standards and legislation. The Group oversees the effectiveness of management of the risk of non-compliance and provides guidance on necessary mitigation measures including adjustment to monitoring and controls appropriate for increased regulation. The assurance activities performed in 2023 did not identify any significant instances of non-compliance.

We maintain good relationships with regulators, legislators and governments who play a key role in shaping the consumer finance sector. We respond constructively to all regulatory audits and investigations to address any findings and continuously improve our business practices in line with changing regulation. There have been no material adverse regulatory findings, sanctions or fines against the Group in 2023.

Engagement with government, trade bodies and regulators

We actively contribute to policy developments relevant to the provision of lending products for underserved communities, in particular to drive policy change that enables our purpose of building a better world through financial inclusion. We advocate for change on the issues that matter most to our customers with governments, non-governmental organisations and regulatory bodies. We are a member of the following trade associations:

- **Poland:** Foundation for Financial Development; Confederation Lewiatan, Employers of Poland; Association of Employers and Entrepreneurs; Federation of Polish Employers; British-Polish Chamber of Commerce in Poland.
- **Hungary:** Association of Non-Banking Financial Institutions; Hungarian Business Leaders Forum; Business Council for Sustainable Development in Hungary; Association of Hungarian Manufacturers; Joint Venture Association; Association of Hungarian Executives.
- **Romania:** Association of Financial Enterprises; American Chamber of Commerce in Romania; British-Romanian Chamber of Commerce; Foreign Investors Council; Association of Credit and Leasing Employers; Aspen Institute Romania; National Association of Treasurers.
- **Czech Republic:** Czech Finance and Leasing Association; Association of Non-Banking Financial Institutions.
- **Mexico:** Employers Confederation of the Mexican Republic; Prodesarrollo; Fintech Mexico.
- **Estonia:** Finance Estonia; Estonian Chamber of Commerce.
- **Latvia:** Fintech Latvia.
- **Lithuania:** FINCO.

All of our public policy engagements and lobbying are aligned with the Paris Agreement for all direct activities and none of the trade associations of which we are a member, as far as we are aware, has taken a position not aligned to the Paris Agreement on climate. In 2023, we did not undertake any public policy advocacy activity concerning climate change.

The Group is a politically neutral organisation. This approach is formalised in our Political Lobbying Policy, which is overseen by the Group Nominations and Governance Committee. We comply with legal requirements on disclosing political donations and we do not provide financial support to political parties. Consistent with this policy, in 2023, the Group made no political contributions directly or indirectly, including in-kind contributions. In 2023, the total monetary value of financial assistance received by the Group from any governmental body was zero. No governmental body has any ownership stake in the Group.

In 2023 our key areas of focus with governmental and regulatory bodies comprised responsible lending, financial inclusion and the regulation of consumer loans to consumers. A particular focus for our advocacy efforts is our annual Financial Wellbeing Report which surveys around 4,500 consumers in nine markets. This exercise provides extensive insights on the views of consumers on a range of important financial and economic issues including savings and borrowing habits, and knowledge about personal finances. We use this research to advocate for the needs of consumers to key groups of decision-makers.

In 2024, our focus will be on continuing to collaborate with key stakeholders to ensure legislation and regulation takes account of the need for responsible lending for all groups of customers as well as engaging on our Invisibles and financial education programmes.

Tax management

We are a responsible taxpayer, committed to ensuring compliance with tax law and practice in all of the territories in which we operate, including the UK, and to operating in a straightforward and transparent manner in our dealings with tax authorities whilst recognising our responsibility to protect shareholder value.

The Group has a publicly available tax strategy which is available in the policies section of our website. This strategy is approved by the Board annually and the Chief Financial Officer has Board responsibility for this area. Our tax strategy focuses on ensuring that we pay the right amount of tax, in the right place, at the right time. Transactions between Group companies are effected for tax purposes in accordance with the arm's length principle as enshrined in the OECD's Transfer Pricing Guidelines. The Group does not seek to reduce its effective tax rate through cross-border profit shifting or similar artificial arrangements and we do not seek to transfer value to, or otherwise undertake transactions with, tax havens. In the absence of a globally-recognised definition of tax havens, the Group has adopted the EU's list of non-cooperative tax jurisdictions for this purpose.

Our tax affairs are managed by a global team of experienced, qualified tax professionals supplemented, where necessary, by advice from external specialist tax advisors. Where there are uncertainties regarding the treatment of the Group's activities, transactions or products, we seek to engage in an open, transparent and constructive dialogue with the relevant tax authority where this is available and seek to obtain rulings in advance where appropriate.

In order to give effect to the principles contained in the tax strategy there is a Group-wide tax policy and control framework which is implemented in all operating entities. Tax risk is one of the principal risks in the Enterprise Risk Framework and is therefore reported and reviewed regularly by the Risk Advisory Group and the Audit and Risk Committee.

Our overall approach to tax is included in our Code of Ethics and reinforced in the global ethics training which is undertaken annually by all colleagues. Specific anti-facilitation of tax evasion training is provided to colleagues identified as working in roles where there is a relevant consideration.

£177m

Total tax contribution in 2023*, supporting the wider economy.

*The total tax contribution in 2023 comprised £83m taxes paid representing a cost to the Group (including profit taxes, employer payroll taxes and irrecoverable VAT/sales taxes) and £94m taxes collected from employees and customers on behalf of governments (including taxes collected on employee salaries and net VAT collected).

Environment

Addressing climate change is an urgent and complex challenge but also an opportunity. It requires a fundamental transformation of the global economy. At IPF we are determined to play our part consistent with our purpose and relevant business and risk considerations.

In our 2022 Annual Report, we made it clear that we would approach the climate challenge thoughtfully and transparently, engaging with our shareholders and other stakeholders. In doing so, we recognise the importance of supporting a just transition considering the social risks and opportunities inherent in the move to a decarbonised economy.

Since then, the Board has agreed an ambition to be a net zero institution by 2050, across all our operations and supply chain. This is a natural progression of the actions we have taken over the last ten years since we first began reporting our Scope 1 and 2 GHG emissions. It also reflects the focus we have had on this area throughout 2023 as we are now starting to make a real difference through a proactive approach on the environmental impact we have and engagement with our colleagues and suppliers.

Our approach to addressing the climate change challenge

The recent Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 27) concluded that to reach net zero emissions and keep the global temperature increase to 1.5°C would require an enormous increase in low-carbon technologies, infrastructure and capacity as well as a co-ordinated reduction in carbon-intensive activity, including fossil fuel consumption. Whilst we are committed to aligning our strategy with the 2015 Paris Agreement on climate, we believe that IPF has a limited role in either reducing financed emissions or financing this transition.

In respect of our financed emissions, the lending we undertake, consisting of originating unsecured consumer loans, is not covered by any global methodology dealing with the measurement of financed emissions. This reflects the fact that, as a lender, we cannot know what our customers use the funds we lend to them for. We will continue to monitor guidance on this topic from credible international bodies to determine if our approach to financed emissions should change and will provide further updates on this point in future Annual Reports.

In respect of contributing to the financing of the transition, the scope for introducing dedicated lending products designed to help our customers in this area was discussed by our Country Management Team in 2023. Their assessment was that the Group's current and potential future products are not likely to be suitable for helping finance transition efforts for our customers in a way which would be aligned to our purpose or customer needs. They reached this determination by considering the requirements of the segment of customers we serve and the amount lent on average to each customer. Given these factors we currently do not consider it feasible to offer lending products in a way that is consistent with our purpose for transition-related expenditure. We will continue to review this topic periodically to ensure that the position does not change across our markets.

Given these assumptions we believe our activities in relation to the environment should be focused on addressing our own emissions which arise from our operations, driving educational efforts with our colleagues centred on reducing their environmental footprint and addressing the broader adverse environmental impacts we create such as waste and recycling.

Managing our operations

Our Environment Policy sets out our commitment to environmental management and can be found on our website. This policy covers our environmental management strategy and sets out how this area is overseen by the Chief Executive Officer and the Board. This reflects the fact we have sought to reduce our environmental impacts over the last three years through:

- ensuring our new head offices improve energy efficiency through incorporating energy saving technology, such as LED lighting;
- our core data infrastructure activities including greater deployment of cloud-based services, which use less energy than conventional data storage;
- removing single use plastic cutlery and cups internally and issuing colleagues with sustainable alternatives;
- recycling materials wherever possible, collecting used paper and general waste such as plastic bottles and empty aluminium or tin cans; and
- working towards using paper and printed materials more sparingly. We currently produce over 115 million sheets of paper across our European home credit business annually. In 2023, we launched a dedicated cross functional project, championed at a senior level to reduce this number by over 50%.

Greenhouse gas emissions (GHG)

We report Scope 1 and Scope 2 emissions in line with current regulations as detailed below and which comprise electricity, district heating, gas and fuel for cars. Of this, transport by car is our most material GHG emission.

We report annually on the most material carbon emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 – Scope 1 and 2 greenhouse gas emissions and energy consumption data. We have applied the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard to calculate our emissions data and have used emission factors from the UK Government's latest GHG conversion factors and the current edition of the IEA emission factors for non-UK electricity. The emission data covers all our offices across the globe. These sources fall within our Consolidated Financial Statements. Where data was incomplete, we have extrapolated data in line with this methodology.

In 2023, the Group's GHG emissions for Scope 1 and 2 decreased by 3.5% year on year. We are also pleased to report that overall emissions have reduced by more than 25% since 2019. This positive trend is due primarily to the gradual replacement of diesel and petrol cars with lower emission LPG vehicles in the Company's fleet.

In 2023, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008:

i. the Group's Scope 1 and 2 emissions in the UK represent 0.2% of the Group's total (2022: 0.2%);
ii. the Group used 4.5m kWh of electricity (2022: 4.2m kWh) with the UK representing approximately 2.7% of the Group's total (2022: 3.0%); and
iii. no actions were taken during the year with the express purpose of increasing the Company's energy efficiency.

For Scopes 1 and 2, transport by car will remain our priority in 2024 and we plan to continue replacing our petrol and diesel car fleet with LPG and hybrid cars where possible. Scope 3 (indirect emissions) have not been included in our 2023 reporting. However, we intend to assess how best to measure indirect emissions (Scope 3) in 2024. In line with best practice, we have restated our Scope 1 and 2 emissions for 2022 in the table on page 66.

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

GHG emission sources	Travel and utilities	Tonnes CO_2e 2019	2020	2021*	2022*	**2023**	**Difference vs 2022**	2023 difference vs 2019
Scope 1	Gas	927	1,008	476	468	**761**	**62.7%**	(17.9%)
	Business travel by car	24,274	16,304	18,277	19,012	**17,826**	**(6.2%)**	(26.6%)
Scope 2	Purchased electricity and district heating	3,236	2,664	2,494	1,944	**2,079**	**6.9%**	(35.8%)
Scope 1 and 2		28,437	19,976	21,247	21,424	**20,666**	**(3.5%)**	(27.3%)
	CO_2e emissions by customer	0.013	0.011	0.013	0.013	**0.013**	**-**	-

* 2021 and 2022 data were restated in February 2024.

We do not believe that as a Group we pose particularly significant risks to the environment through our business activities. As detailed above, our greatest source of emissions relates to the transport by car undertaken by our customer representatives. Given the nature of our supply chain and the types of goods and services we purchase, we have not identified any specific material risks arising from our supply chain other than the need to work with suppliers to reduce emissions in order for us to achieve our net zero target by 2050.

Focus on our colleagues

In support of our net zero operations ambition, we are engaging with colleagues and will be implementing initiatives to reduce our individual environmental footprints. In particular, we will continue to utilise tools to reduce the impacts from our company car fleet in 2024, including using tailored fleet management software.

Looking to the future

Our focus in 2024 will be to establish base year data and develop a credible strategy for how we will meet our targets. We will also track progress against our targets, monitor relevant scientific trends, and regularly review and adjust our strategy and targets as needed. We intend to report our progress against our environmental plans in future Annual Reports.

We will also keep our policies, targets and progress under review in light of the rapidly changing external environment and the need to support an orderly transition. The trajectory for our markets' transition varies significantly and is influenced by a number of external factors, including market developments, advances in technology, the public policy environment, geopolitical developments and regional variations as well as behavioural change in society. Over the coming years, our strategy will continue to evolve and adapt to reflect external factors effecting the shape and timing of the transition to a low-carbon economy. Progress is likely to vary year to year and we need to be able to adapt our approach to respond to external circumstances and to manage the effectiveness and impact of our support for the transition, whilst remaining focused on our ambition of becoming a net zero organisation by 2050.

Eco November

Eco November is our annual month-long initiative which brings colleagues together from across the Group to improve their environment. Our team in Estonia volunteered their time to plant more than 14,000 trees in the Kose area, and 2,100 saplings were planted in Leeds, UK, as part of a forest development project. Colleagues from our home credit and digital divisions in Poland joined forces and planted 25,000 trees in the Drewnica Forest District near Warsaw and a thriving woodland has been extended thanks to members of our team in Hungary who planted more than 100 trees and shrubs in the Budakeszi Wildlife Park.

We are still at an early stage in our journey. We recognise there is a huge amount of progress still to be made, but we are committed to achieving our ambition. Over the coming years, we aim to increase our momentum as well as continuing to be transparent about our progress and developing appropriate metrics to track our progress to net zero by 2050.

TCFD Report

Introduction

This Task Force on Climate-related Financial Disclosures (TCFD) report serves as the Group's 2023 disclosure of the climate-related risks and opportunities to our business. It describes how climate change scenarios may impact the Group and outlines our strategy to mitigate these potential impacts to ensure our resilience as a business.

The report is structured in accordance with the TCFD recommendations. As such, it covers our governance structures, strategy, risk management, and targets and metrics. We recognise that the global financial system is connected deeply to the health of the planet and that a changing climate has profound implications for business and society. Therefore, our approach concerns not only mitigating the transition and physical risks of climate change to our business, but also our actions to tackle climate change at source to help the successful transition to a low carbon economy. While we recognise that climate change poses risks to our business model, we believe there may also be opportunities arising from this trend which also require regular evaluation.

Governance

Governance is defined in the TCFD recommendations as **"a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated."** It is recommended that organisations establish and disclose appropriate internal governance processes for managing climate-related risks and opportunities.

Sustainability considerations are embedded in the way we run our business, with the objective of ensuring we align our business priorities with society's expectations on this topic. Our commitment is outlined in the Group's Corporate Sustainability Policy which is available to view in the policies section of our website. This Policy sets out our commitment to this area, in particular, what is expected from the Group and those it does business with in terms of responsible business conduct and sustainable development. This commitment supports our business decision making at all levels and provides a frame of reference for how we want to deal with business opportunities and risks in the context of direct and indirect sustainability impacts.

Our Board and management-level governance structures and oversight bodies incorporate climate considerations as part of their responsibilities. We seek to ensure that oversight of sustainability and climate-related risks and opportunities are embedded across the Group.

In 2023, we continued to evolve our governance structures with the objective of establishing effective and resilient governance for climate- and sustainability-related issues. Following the work described in the 2022 Annual Report concerning formalising and enhancing the role of the Board and its Committees in this area, we embedded oversight of sustainability and climate-related risks and opportunities into management governance structures at multiple levels of the Group during 2023.

Board oversight of climate and sustainability-related topics

The Group Board oversees our sustainability-related activity including oversight of the risks and opportunities associated with climate change, while the Chief Executive Officer (CEO) has overall accountability for management of this area. This activity has been delegated by the CEO to the Chief Legal Officer (CLO), who has specific responsibility for the management and implementation of measures detailed in our Responsible Business Framework, including assessing risks and opportunities from climate change, and also ensuring these are identified and managed appropriately.

In 2023, the Board discussed the merits of introducing a separate, dedicated board committee on this topic but determined that direct oversight by the Board was preferable. We will continue to monitor the effectiveness of these arrangements in 2024.

How our Board oversees sustainability

Board of Directors

Responsible for: The Group's strategy, organisation and oversight of performance including in relation to climate-related matters. It sets the strategic direction for sustainability at the Group and has ultimate responsibility for sustainability-related governance.

2023 Activity: The Board reviewed and approved key policies in the area (e.g. Human Rights Policy, Corporate Sustainability Policy) as well as reviewing and approving the broader Responsible Business Framework, which includes climate related matters. The Board monitors progress towards the objectives detailed in this Framework through review of management information on a quarterly basis and periodic detailed updates on this topic.

Audit and Risk Committee

Responsible for: Reviewing financial and non-financial disclosures and risks related to sustainability and climate.

2023 activity: The Committee reviewed trends in sustainability reporting, in particular at EU level, as well as reviewing assessments of the risks and opportunities of climate change relevant to the Group and the results of scenario analysis undertaken to assess exposure to physical climate risk.

Remuneration Committee

Responsible for: Approving performance measures, including those relating to ESG for senior management, and ensuring employment and pay practices are appropriate and reflect stakeholder views.

2023 activity: The Committee reviewed proposed ESG metrics for inclusion in senior management compensation-related decisions as well as ensuring consistency of approach between the workforce and senior management on pay-related matters.

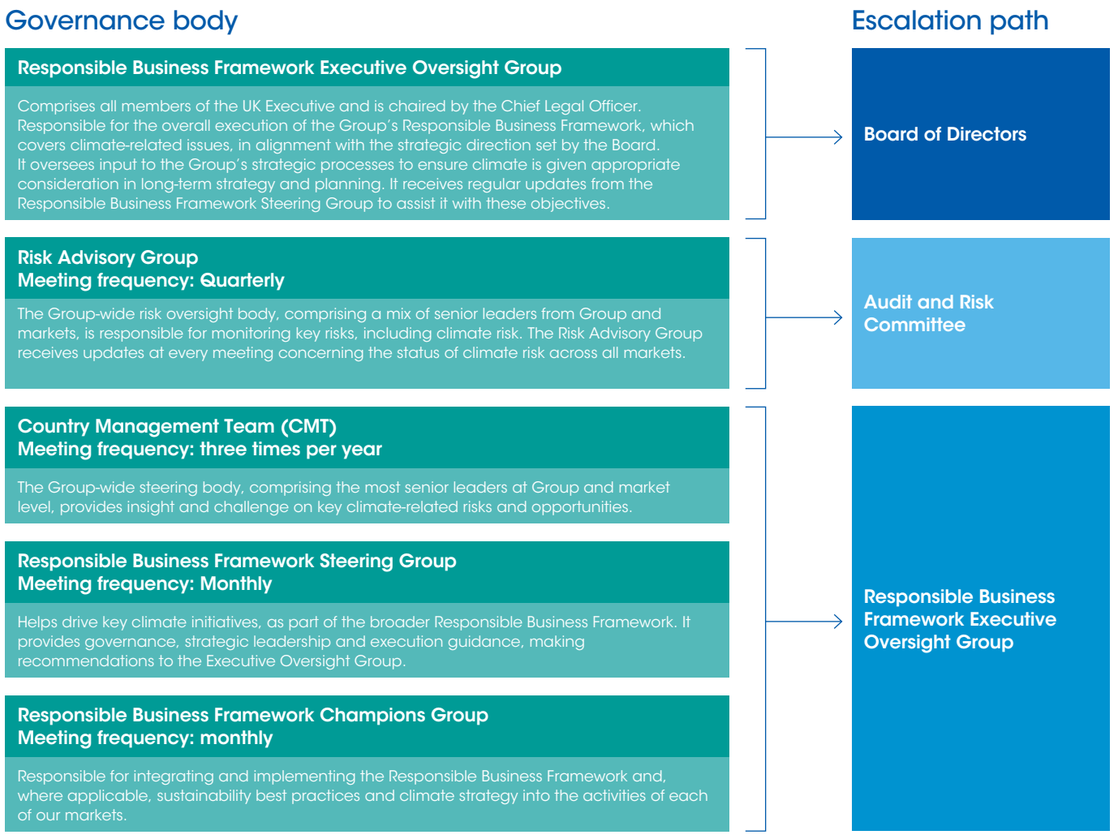
Management oversight

In 2023, we have sought to build on the progress made in 2022 in relation to Board oversight of climate-related risks and opportunities by revising our management governance structures to ensure these are better placed to support the Group's ambitions in this area.

There are two primary management roles designed to assign responsibility for the delivery of the Group's assessment and management of climate-related matters. First, the Chief Financial Officer (CFO) has overall responsibility for climate change and environmental matters. Second, in 2023 the CLO was assigned responsibility for overseeing the management of climate change-related risk, and sponsors the Group's Responsible Business Framework (see page 46 for more information). The CLO oversees, in a first line capacity, the work of analysing the potential future impact of climate change on the Group and the results of these scenario assessments are submitted to the Audit and Risk Committee. The CLO's function is also responsible for the Responsible Business Strategy on a day-to-day basis including providing updates that include any climate-related issues of relevance that can be communicated to the Executive Oversight Group when required.

A further means of management oversight is the incorporation for the first time of a specific climate-related section in the 2024 budget process as well as the creation of a dedicated climate resilience fund, which is held centrally and available to each market to help reduce climate impacts and enhance resilience.

The diagram below provides an overview of the Group's management governance bodies with climate-related oversight responsibilities.



Sustainability function

The Group's sustainability function is led by the CLO, who is a member of the executive team and attends the Group Board meetings. The function works in collaboration with other functions and markets to implement the Group's Responsible Business Framework on a day-to-day basis including sustainability-related policies, carbon and climate change, stakeholder engagement and reporting.

Next steps

Over the next 12 months we intend to further enhance our activities in this area through:

- incorporating the use of scenario analysis data into the Board strategy process;
- maturing the use of ESG metrics into executive compensation; and
- ensuring the revised management governance arrangements are embedded.

Strategy

Strategy is defined in the TCFD recommendations as: **"an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates."** It is recommended that organisations disclose the nature and impact of their material climate-related risks and opportunities, as well as the resilience of their strategy under each chosen climate scenario. We recognise that both climate-related risks and opportunities have the potential to impact our business. We have therefore taken the necessary steps recommended by the TCFD to identify and assess the potential materiality of the risks and the opportunities, so we can maximise the positive impacts and minimise the negative impacts on our business. We therefore seek to consider climate change alongside other factors when developing our overall strategy.

We recognise that assessing and quantifying the level of impact from climate change is an emerging practice. A greater level of estimation and assumption is required to address the long-term and forward-looking nature of climate-related risks and opportunities, which causes limitations in assessing how such trends impact our strategy.

In 2023, we undertook an exercise to engage our most senior leaders directly in the process of refreshing our assessment of climate-related risks and opportunities to ensure that we are incorporating any new risks and opportunities appropriately. Specific actions undertaken in this area in 2023 include updating the time horizons for this year's materiality review compared to what we used for the previous year's assessment:

(i) Reviewing time horizons

The time horizons to be used for assessing risks and opportunities arising from climate change were reviewed by the CMT in line with TCFD guidance, which indicates companies should explain the rationale for such choices. It was determined that the following time periods should be used by the Group:

Time period	Original time period	Revised time period	Rationale
Short term	0-2 years	0-3 years	This time period reflects the average term of our loans and the flexibility in both our credit strategies and field operations that allow us to adapt to rapidly changing scenarios.
Medium term	2-5 years	3-10 years	This time period reflects the strategic planning horizon used by the Group.
Long term	5 plus years	10 plus years	This time period is based on the useful economic life of the majority of Group assets.

A number of factors informed the selection of these periods, including the rapid change which has been evident in relation to new climate-related legislation, the volatility of energy prices and the need to align closely with the periods considered in the Group's scenario analysis of climate-related risk, which typically considers scenarios that span thirty years or longer and is discussed in more detail below. The short-term time horizon better aligns to our risk management framework. Medium-term is more appropriately aligned to the timeframes used internally for planning purposes. The long-term time horizon was chosen to capture the impact expected from countries in which the Group operates taking steps to meet its commitments as detailed in the 2015 Paris Agreement. These time periods are a change from those disclosed in 2022 and reflect feedback from the CMT that assessments over the long term should include a more extended timescale.

(ii) Defining risks and opportunities

Details of how we define climate risks and opportunities are set out in the table on page 70.

In Q1 2023, a list of potential risks and opportunities was presented to the CMT for feedback following a benchmarking exercise of risks and opportunities used by peer organisations and commentary from external regulatory bodies. This was the start of a process of consultation and engagement with this group of senior leaders. Following discussion and feedback, it was noted that the attractiveness to employees of the Group's approach to this area should be regarded as a risk as well as an opportunity. The opportunities arising from enhancing our ability to manage transition risk well and move to more remote working (with consequently lower costs and environmental impacts) was also highlighted. This process resulted in the following definitions being adopted by the CMT and approved by the Board in terms of risks and opportunities which could be relevant to the Group:

Principal risks

Risk type	Potential effects
Physical risk Physical risks are those related to the physical impacts of climate change.	**Acute** Increased frequency and severity of extreme weather events affecting customers, customer representatives and employees could impact the success of our business model. **Chronic** Permanent changes to sea, river or lake levels could impact our ability to conduct our business in some areas.
Transition risk Transition risks are those related to the impact arising from changes in climate policies, or changes in the underlying economy due to decarbonisation. These risks emerge from policy, legal, technology, and market changes as the economy shifts towards using less carbon.	**Policy and Legal** (i) Exposure to litigation due to our inability to comply with new carbon-related requirements; and (ii) Increased operating costs due to the increased cost of transport or carbon pricing initiatives. **Market** Uncertainty around the costs incurred in moving to a net zero economy. **Reputation** (i) Increased stakeholder concern or negative stakeholder feedback relating to our ability to transition effectively to a lower carbon economy; (ii) Increased shareholder concern or negative shareholder feedback relating to our strategy to address climate related risks; and (iii) Employee concern or negative feedback relating to our strategy to address climate-related risks.

Opportunity type	Potential effects
Resource efficiency	(i) Reduced operating costs through reduced air and other travel; (ii) Reduced operating costs through reduced paper consumption; and (iii) Potential for reducing costs and environmental impacts through remote working.
Energy source	(i) Use of lower-emission sources of energy; (ii) Use of supportive policy incentives; and (iii) Use of new technologies, which have the potential to reduce costs.
Products and services	Development of new products and services through innovation to address climate challenges.
Markets	Increased attractiveness of the Group to customers and employees by effective execution and communication of the Group's climate strategy.
Resilience	Enhanced access to funding at attractive pricing for organisations which are carbon neutral/positive.

It is envisaged that this process of risk identification will be repeated annually.

(iii) Assessing materiality

For the purposes of assessing climate-related risks and opportunities, the definition approved by the Board and CMT was that for a climate-related risk or opportunity to be deemed material for strategic planning purposes it would have a significant impact on the profitability of the Group (e.g. through delayed customer repayments), expenditures (e.g. increased costs), assets (e.g. closing branches), or financing (e.g. loss of investors due to legal breaches). "Significant" for these purposes means a material impact on the Group's ability to meet the targets detailed in our 2024 budget.

(iv) Determining climate risks and opportunities over different time periods

In 2023, we undertook a detailed evaluation of the climate risks and opportunities defined on page 70 with members of the CMT and the Group Audit and Risk Committee. We reviewed each of the risks and opportunities and assessed how likely that they would impact the Group materially over different time periods. Impacts were assessed as follows: (i) High Impact indicated significant risk or opportunity on the Group. (ii) Medium Impact: indicated moderate influence on the Group. (iii) Low Impact indicated minimal effect on the Group. The consensus was that most impacts would be low over the short and medium term with higher impacts possible over the long term.

Risk type	Risk	Short term			Medium term			Long term		
Impacts		Low impact	Medium impact	High impact	Low impact	Medium impact	High impact	Low impact	Medium impact	High impact
Physical	Acute-chronic									
	Policy and legal									
	Market									
Transition	Reputation									

Opportunity type	Short term			Medium term			Long term		
Impacts	Low impact	Medium impact	High impact	Low impact	Medium impact	High impact	Low impact	Medium impact	High impact
Resource efficiency									
Energy source									
Products and services									
Markets									
Resilience									

The process indicated material impacts from climate risks and opportunities are not assessed as likely over the short and medium term. Over the longer term, however, there was a consensus that risks and opportunities were likely to be of much higher relevance. This reflected the assessment we made of physical climate risk through scenario planning and our assessment of the broader market and regulatory trends evident in each market. These activities confirmed that the risks and opportunities identified remained largely unchanged from the previous assessment.

(v) Integration with our strategic planning process

The work undertaken confirmed that the actual or potential impacts of climate-related risks and opportunities on the Group over the short or medium term are unlikely to significantly influence the Group's approach in its markets or to its customers due to climate change. The results of the scenario analysis undertaken and discussed in more detail below provided further confirmation that climate change is not expected to have a material impact on the Group's current strategy or financial viability for the time horizon of the next 10 years (i.e. the short and medium term) under the most likely climate scenarios.

The completed assessments of risks and opportunities were incorporated into the 2023 strategic planning process and the conclusions were provided to the Board as part of the strategic planning process for 2024 and beyond.

Next steps:

- incorporate scenario analysis results into the strategic planning process;
- identify the strategic impacts of creating a credible transition plan; and
- review in more detail the potential impact of transition risks on the Group's Next Gen strategy.

Risk management

Risk management is defined in the TCFD recommendations as **"a set of processes that are carried out by an organisation's Board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks."** It is recommended that organisations disclose their processes for identifying, measuring and managing climate-related risks, as well as describing how these processes are integrated into the organisation's overall risk management.

Since publishing the Group's 2022 TCFD disclosures, we continued to integrate climate-related risk into broader risk management practices in 2023. As climate risk management efforts were enhanced through the year, particularly with the completion of scenario analysis, the Group gained deeper insights into this risk category. We remain focused on identifying and measuring climate-related risks relevant to our business strategy and during 2023 revised our risk appetite statement, key risk indicators and definitions to ensure these reflect good practice.

(i) Definition of climate risks

In evaluating climate-related risks, we use definitions and methodologies consistent with the principles of the TCFD, as described in more detail above.

(ii) Risk framework

The Group uses an Enterprise Risk Management (ERM) framework to identify, report and manage risks. The framework is defined centrally and implemented in each of our markets. This approach allows risk management and reporting to balance the importance of having consistency of approach, measurement and risk categorisation across the Group, together with the value of having local expertise and risk action plans.

Risks are identified collectively across the Group and are classified against a taxonomy of 21 key risks. Each risk category is assigned to a member of the Group's senior leadership team or one of their reports, who is accountable for managing the identified risk as first line risk owner. For each risk, the ERM requires the first line risk owner to ensure ongoing measurement/monitoring as well as improvement plans and training to enhance risk mitigation. Each first line risk owner updates the Risk Advisory Group (RAG) on their respective risks for discussion and oversight. Each risk is assessed to determine probability and severity of the risk and assigned a score accordingly. These risk scores allow the Group to determine the relative significance of each risk in relation to other risks. The RAG meets quarterly to consider these topics.

(iii) Processes for identifying and assessing climate-related risks

Our climate-related risk management approach aims to assess and manage the risks posed by climate change to our business and seeks to integrate climate considerations into risk management practices.

Climate risk is one of 21 key risks as defined in the ERM. The first line risk owner is the CLO who engages with internal stakeholders to understand the level of importance and potential climate-related impacts on the Group and reports a series of KPIs to the RAG to provide insight on this topic. These KPIs include assessment on whether there have been changes in the quarter to policy and legal issues, market trends and reputational matters as well as physical risks crystallising.

In 2023, the Group continued to develop and implement processes around climate-related risk identification and assessment. As part of this, the climate change risk appetite statement, which articulates the Group's approach to risk taking, was expanded to include additional detail on how climate and environmental financial risks are evaluated and monitored.

(iv) Scenario analysis

During 2023, we conducted scenario analysis, using the three climate scenarios described opposite to explore and assess the resilience of our business to the physical risks arising from climate change. This helped us to better understand which physical risks could potentially have the largest impact on the Group across different time horizons and informed our efforts to better manage and monitor these risks. We used external datasets on climate trends and internal datasets on the locations of our premises worldwide to model the potential impact of such risks.

The objective was to assess the resilience of the Group's strategy under different climate scenarios. We used the outputs of the high-level impact analysis for all material climate-related risks identified under three different Representative Concentration Pathways (RCP) over different time horizons to better understand the potential impact of climate-related risks and opportunities on our business. These three scenarios were chosen as they represented a suitably diverse range of pathways to be able to understand the impact of physical climate risk.

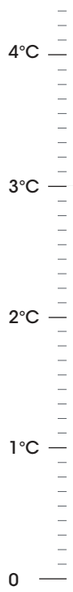
The outcomes of these assessments were considered by the Audit and Risk Committee. The output of this modelling showed that in the short-to-medium term, there were no immediate material risks and exposures that would impact strategy, performance or liquidity.

The scenario analysis allowed us to be more targeted in understanding the current resilience we have against climate-related risks and will enable focus on developing further mitigation strategies for the Group as well as in our local markets where necessary.

The Group's overall assessment was that our business model and strategy are resilient in light of these risks. To mitigate this area of risk, the Group will continue to monitor regulatory changes or changes to customer behaviour which would require a reassessment of this decision.

Scenario analysis

The following scenarios have been used:



IPCC RCP 8.5

is the highest baseline emissions scenario in which emissions continue to rise throughout the 21st century. Therefore climate change projected under RCP 8.5 will typically be more severe than under the other two scenarios considered by the Group.

IPCC RCP 4.5

is described as a moderate scenario in which emissions peak around 2040 and then decline, limiting the global temperature increase to 2-3°C.

IPCC RCP 2.6

is representative of a scenario that aims to keep global warming likely below 2°C above pre-industrial temperatures. It envisages emissions peaking and then declining with global temperatures increasing at below 2°C.

Mitigation and Resilience Measures

In 2023 the Group sought to implement credible mitigation and resilience measures, including establishing targets for energy efficiency measures, scenario analysis and reporting transparency.

Next steps

- Continue to invest in climate-focused tools and data to enable our scenario analysis to mature and provide further insights.
- Look to mature the new arrangements put in place in 2023 to oversee climate risk as part of our ERM.
- Develop the management information the Audit and Risk Committee review on this topic.

Metrics and targets

Metrics and targets are used to assess and manage material climate-related risks and opportunities. The TCFD recommends that organisations disclose the metrics and targets they use to assess and monitor climate-related risks and opportunities, including their Scope 1, 2 and, if appropriate, 3 emissions.

We also believe it is important to seek to mitigate broader environmental impacts. For the Group, this means reducing our energy use and the amount of waste we generate as well as looking to maximise the amount of waste we recycle and reducing the impact of the paper we use.

Greenhouse gas emissions (GHG)

We are committed to measuring and reducing our share of GHG emissions in line with the Paris Agreement. We make disclosures on the Group's direct Scope 1 and 2 emissions.

Our Scope 1 and 2 GHG emissions are disclosed on pages 65 and 66 of this report and have been determined in line with the GHG Protocol methodology.

As part of the work we are carrying out to align our climate disclosures with the TCFD recommendations, we are now improving our processes and tools to ensure that emissions data can be collected and managed with better consistency.

Emissions targets and metrics

Our focus in 2023 has been on defining and agreeing specific and credible targets beyond initial scoping discussions.

Our overall target is to be net zero across our operations and supply chain by 2050. This commitment means a public undertaking by the Group to achieve progress in three areas: Firstly, the carbon emissions of our own operations – our offices, branches and data centres; secondly, the emissions resulting from the energy we purchase to operate our business; and thirdly, the emissions of our value chain, such as our suppliers' emissions and our business travel emissions.

After we have reduced our emissions as much as possible, we will balance any remaining emissions through high-quality offsetting solutions.

We define net zero operations as the state in which we will achieve a GHG reduction of our Scope 1 and Scope 2 emissions by at least 90% against a 2023 baseline and use carbon offsetting to eliminate any residual GHG emissions through the removal of an equivalent amount of GHGs from the atmosphere.

Achieving our net zero target will require the following actions:

Reduce our Scope 1 and 2 emissions through energy efficiency, electrification of our buildings and vehicles, renewable energy sourcing and replacing fossil fuels with low emission alternatives.

Reduce Scope 3 operational emissions by engaging with our key stakeholders including suppliers and colleagues to track, manage and reduce their GHG emissions, while embedding net zero principles across our policies and contractual requirements.

Other environmental metrics and targets

The Group is committed to wider environmental improvements as well as reducing its emissions.

The Board has agreed targets for the Group using 2024 as a baseline to:

- divert 90% of waste from landfill by 2034;
- source 100% of paper from sustainable sources; and
- reduce paper use by 50%.

Focus on our supply chain

Our target to be net zero in our operations by 2050 will be a catalyst influencing our supply chain to deliver better services and products. We have a real opportunity to drive down emissions and we are focused on developing decarbonisation pathways with our key suppliers to achieve this goal. We will encourage our suppliers to sign up to robust emissions reduction targets and are scaling up our engagement with this stakeholder group. Our initial assessment is that our supply chain emissions are concentrated in a small number of large suppliers. Our initial focus on decarbonising our supply chain will be on engaging key suppliers to adopt credible reduction targets. In the medium term, our goal is to integrate carbon pricing into sourcing and procurement decisions, alongside net zero clauses into our tender processes.

Interim targets

Our Board has approved the following interim targets to be delivered by 2034, using 2024 as a baseline

100%
renewable energy in our head office locations globally

Transition 90%
of our global fleet to EV or ULEV models where EVs are not viable

50%
of our vendors by addressable spend to set their own 1.5° C aligned climate targets

Identify and pursue opportunities
to reduce the distances travelled by our customer representatives, thereby reducing this source of emissions.

Next steps

- collate accurate data on a broader range of environmental impacts to enable credible targets to be set;
- establish and publish targets for environmental impacts; and
- create and publish a transition plan in line with UK Government guidance.

TCFD compliance statement

The Group has complied with the requirements of LR 9.8.6(8)R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures.

The climate-related financial disclosures made by the Group also comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Details of how the Group complies with these requirements are set out in the table below.

Governance

	Summary	Alignment	Action in 2024	Reference
a. Describe the board's oversight of climate-related risks and opportunities.	The Board has ultimate responsibility for oversight of risks and opportunities from climate change and receives updates on this topic. It also delegates responsibility for risk oversight to the Audit and Risk Committee.	Aligned	Enhance the use of scenario analysis data as an input to strategy formulation and mature the use of ESG metrics in executive compensation.	Page 67
b. Describe management's role in assessing and managing climate-related risks and opportunities.	Our Responsible Business Framework Executive Oversight Group oversees management of climate risks and opportunities. These efforts are overseen by our Chief Legal Officer, who is a member of the UK Executive.	Aligned	Ensure the revised management governance arrangements for climate are embedded.	Page 68

Risks and opportunities

	Summary	Alignment	Action in 2024	Reference
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Through our work with the Country Management Team and other stakeholders we identified the risks and opportunities relevant to the Group and the relevant timescales.	Aligned	The climate related risks and opportunities were discussed at a senior level and an agreed assessment produced.	Page 69-70
b. Describe the impact of climate related risks and opportunities on the organisation's business, strategy, and financial planning.	For the time horizon to 2030, we consider the financial and operational impact of our climate-related risks to be non-material.	Aligned	We will increasingly incorporate climate-related risks and opportunities into our strategy, operations and planning.	Page 70
c. Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	The results of our scenario analysis and internal assessments show that climate change is not expected to have a material impact on the Group's current strategy or financial viability for the time horizon for the short or medium term.	Aligned	Identify the strategic impacts of creating a credible transition plan. Review in more detail the potential impact of transition risks on the Group's strategy.	Page 72

Risk Management

	Summary	Alignment	Action in 2024	Reference
a. Describe the organisation's processes for identifying and assessing climate-related risks.	The Enterprise Risk Management Framework defines climate risk as a key risk. The Country Management Team reviewed in detail the assessment of climate risk.	Aligned	Embed the changes to risk appetite and KPIs for climate risk category.	Page 72
b. Describe the organisation's processes for managing climate-related risks.	The Group has an Enterprise Risk Management Framework of which climate risk is a part.	Aligned	Continue to develop scenario analysis capability.	Page 72
c. Describe how processes for identifying, assessing and managing climate-related risk are integrated into the organisation's overall risk management.	The Enterprise Risk Management Framework provides structure to ensure consistency of approach, alignment to the risk appetite and monitoring of our risk exposure across the Group.	Aligned	As part of the Enterprise Risk Management Framework process, we will continue to assess on a regular basis the most relevant climate-related risks for the Group.	Page 72

Metrics and targets

	Summary	Alignment	Action in 2024	Reference
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics used to assess our climate-related risks and opportunities include Scope 1, 2 emissions.	Aligned	We will continue to strengthen our monitoring metrics and mitigation measures in 2024.	Page 74
b. Disclose Scope 1, Scope 2 and if appropriate, Scope 3 GHG emissions and the related risk.	Details of our GHG emissions in 2023 (Scope 1, Scope 2) have been provided.	Aligned	We will continue to strengthen our monitoring metrics and mitigation measures in 2024.	Page 65-66
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	By 2034, our targets using 2024 as a baseline are (i) 100% renewable energy in our head office locations globally; (ii) transition 90% of our global fleet to EV or ULEV models where EVs are not viable; (iii) 50% of our vendors by addressable spend to set their own 1.5°C aligned climate targets; and (iv) identify and pursue opportunities to reduce the distances travelled by our customer representatives, thereby reducing this source of emissions.	Aligned	Embed actions to deliver proposed interim targets.	Page 73-74

Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022

Disclosures to meet mandatory climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 are set out below.

Requirement	Summary	Page
a. Description of the governance arrangements of the company in relation to assessing and managing climate-related risks and opportunities.	Governance arrangements for management of climate-related risks and opportunities are detailed in the Governance section of the TCFD Report.	Page 67-68
b. A description of how the company identifies, assesses, and manages climate related risks and opportunities.	The process for identifying, assessing and managing climate related risks are detailed in the Strategy section of the TCFD Report.	Page 69
c. A description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company.	A description of how climate-related risks are integrated into the overall risk management process is set out at Section (iii) of the Risk section of the TCFD Report.	Page 72
d. A description of: i. the principal climate-related risks and opportunities arising in connection with the operations of the company; and ii. the time periods by reference to which those risks and opportunities are assessed.	A description of the principal risks and opportunities and time periods is set out in the Strategy section of the TCFD Report.	Page 70-71
e. A description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company.	A description of these impacts is detailed in the Strategy section of the TCFD Report.	Page 69-71
f. An analysis of the resilience of the business model and strategy of the company or LLP, taking into consideration different climate-related scenarios.	A description of these impacts is detailed in the Strategy section of the TCFD Report.	Page 69-71
g. A description of the targets used by the company or LLP to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.	A summary of the approach to targets is set out in the Metrics and Targets section of the TCFD Report.	Page 73-74
h. The key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	There are currently no KPIs used to assess progress against targets.	N/A

Non-financial and Sustainability Information Statement

In line with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006, the table below contains references to non-financial and sustainability information intended to help our stakeholders understand the impact of our policies and activities.

Reporting requirement	Relevant policies	Relevant section of our report
Description of the business model	Corporate Sustainability Policy Environment Policy Enterprise Risk Management Policy	Our business model – p12-p13 Key performance indicators – p26-p27 Principal risks and uncertainties – p80-p83 Responsible business – p46-p66
Employees	Code of Ethics Group Health and Safety Policy Wellbeing Policy Diversity Policy	Our colleagues – p51-p55 Our communities – p56-p58 Board diversity – p100-p101 Equal opportunities – p51 Principal risks and uncertainties: People risk – p82
Human rights	Code of Ethics Human Rights and Modern Slavery Policy	Responsible business – p59
Social matters	Code of Ethics Tax strategy	Our business model – p12-p13 Our customers – p48-p50 Principal risks: Reputation risk – p81 Responsible business – p46-p66
Anti-corruption and bribery	Anti-bribery and Corruption Policy Gifts and Hospitality Policy Anti-facilitation of Tax Evasion Policy Know Your Customer and Anti-money Laundering Policy	IPF in society – p59-p66
Environmental matters	Corporate Sustainability Policy Environment Policy	TCFD – p67-p76 Environment – p64-p66
Principal risks		Principal risks and uncertainties – p80-p83
Non-financial KPIs		Non-financial key performance indicators – p27

Principal risks and uncertainties

Managing risk

Achieving the goals of our strategy depends on our ability to manage risk, respond to emerging risks and take advantage of business opportunities effectively. In turn this will help us deliver further value for all our stakeholders.

Enterprise risk management approach

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.

Our risk management approach and activities are aligned to the UK Corporate Governance Code (2018).

Key risks to the Group

The ERM process covers a wide range of risks and uncertainties that could have a significant impact on the Group's objectives or on key stakeholder expectations. The Group's principal risks are those that we believe have the potential to threaten our business model, future performance, solvency or liquidity, and reputation. On pages 80 to 83, we have summarised the key risks that we monitor, how they developed in 2023 and how we are addressing them.

Risk appetite

The Group's risk appetite is reviewed and approved by the Board at least on an annual basis and is the central component that prompts the arrangements we put in place to organise and execute the ERM process.

Our risk management strategy involves mitigating, to the maximum reasonable extent, those risks which are within our control and therefore the internal control system is key to how we manage risks. Externally-driven risks are monitored to ensure a prompt response to further mitigate them should the context become unfavourable, and are subject to contingency planning to ensure business resilience.

We evaluate each risk at least quarterly based on the likelihood and potential impact at both market and Group level. In addition, we measure and monitor the key risk indicators set for each principal risk. Using this assessment, we then compare the level of current risk with the Board-approved risk appetite and determine whether further actions are required to mitigate the risk to fit within our Board-approved risk appetite levels.

Risk assessment and response

We perform a quarterly risk assessment process across the Group to update the level of risks facing the business, identify any weaknesses in the internal control environment and take additional actions to address risks which are outside appetite.

We maintain comprehensive risk registers in each market, reflecting a bottom-up approach, and Group-level, top-down view.

The Chair of the RAG challenges the assessments performed by risk owners based on a wide range of assurance data from first line control testing, risk management performance indicated by key risk indicators or independent assurance provided by internal audit.

Our response to risk depends on its severity and ranking against the Board-approved risk appetite. Internal controls are defined and executed across the Group for all key risks to ensure the inherent level of risk is mitigated to an acceptable level. There are situations when the impact of the control environment is not sufficient and the residual level of risk falls outside our appetite. In these cases, additional actions are taken. We also continuously identify and monitor those events that, even after mitigation, could impact the business severely. In these cases, we create and execute contingency plans to respond to the crystallisation of the risk.

In addition to this process, risks are considered and addressed as part of any new project, initiative or strategic plan across the Group.

Risk ownership, governance, and oversight structure

We have defined a comprehensive structure of roles across the Group to ensure risks are managed effectively at all levels within the business. This structure was built to align with the principles of ERM, including all-encompassing portfolio risk management, but also with the principles of the three lines of defence approach. Risk assurance is defined in alignment with the three lines of defence principles.

Our framework for risk ownership, governance and oversight together with our three lines of defence approach is illustrated below:

Risk management roles and responsibilities

Board of Directors

Determines the nature and extent of risks the Board is willing to take to achieve strategic objectives.

Audit and Risk Committee (ARC)

Reviews processes for the management of risks and internal control systems on behalf of the Board. Makes recommendations to the Board on Group risk appetite, Group risk profile, and the effectiveness of the risk management system.

Risk Advisory Group (RAG)

Supports the ARC in reviewing risk exposure levels against risk appetite and provides the ARC and the Board with an overall view of the Group's risk position.

Local risk committees

Supports the RAG in reviewing the risk profiles of the markets.

Assured by three lines of defence

1. Operational management

Responsible for executing business processes, delivering products or services, and managing day-to-day risks by executing risk control measures.

2. Risk management

ERM function, compliance and other control functions provide oversight, guidance, and monitoring of risks and controls.

3. Internal audit

Provides an objective and independent assessment of the adequacy and effectiveness of risk management and internal control systems.

Emerging risks

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

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

Throughout 2023 we monitored the following emerging risks:

Review of the EU Consumer Credit Directive (CCD)

We continued to monitor the CCD review as an emerging risk throughout the year due to the frequent and numerous amendments made during the process, and the uncertainty as to how it would be transposed in our markets. The review was completed and published in November 2023. We have conducted an internal review of the potential impacts of the updated legislation and are well placed to make any changes necessary in our business.

Economic conditions

Macroeconomic indicators showed that the global financial system remains under pressure due to a high level of consumer indebtedness combined with high interest rates and pressure on the currencies of major western economies. In response to the macroeconomic uncertainty and cost-of-living crisis, we continued to make careful lending decisions, tightened credit criteria for higher-risk consumers and focused on repayments to control this risk. Our balance sheet position remains robust.

Tax developments

We continued to monitor international tax developments, including the European Commission's initiative on debt-equity bias reduction allowance (DEBRA), the potential reform of the financial services VAT exemption and the OECD's minimum corporate income tax initiative (Pillar 2). The prospective laws are still being developed and, consequently, it has not been possible to assess the full impact of these developments on the business at this stage.

Use of Artificial Intelligence (AI)

AI offers potential strategic opportunities for the business and we are exploring how it can best support our growth plans. However, the use of AI might also trigger risks to the Group including data protection, fraud and consumer protection compliance. The implications to the Group are still unclear and, therefore, we will monitor it as an emerging risk.

Principal risks

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.

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.

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.

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. See page 30 for more details.

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. See page 30 for more details.

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.

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.

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 on pages 36-41.

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.

Risk environment and link to strategic pillars key

- Risk environment improving
- Risk environment remains stable
- Risk environment worsening
- FI Financial inclusion
- O Organisation
- TD Technology and data

Reputation risk

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

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.

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.

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 on pages 36-41.

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.

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.

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.

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.

FI

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.

Technology risk

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

TD

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.

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.

O

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.

For more information on our colleagues see pages 51-55.

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.

Risk environment and link to strategic pillars key

- Risk environment improving
- Risk environment remains stable
- Risk environment worsening
- FI Financial inclusion
- O Organisation
- TD Technology and data

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.

TD

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.

For more information on data protection and cybersecurity see pages 62-63.

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.

Viability statement

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

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

Assessment of continuing operations

The Group has a clear strategy to deliver its purpose and long-term profitable growth. The Group has a robust capital structure supported by significant equity and a balanced portfolio of debt funding, the largest element of which matures in November 2025, all of which together form the strong capital foundations required to support business growth. Based on this analysis, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the period of three years from the date of this report and that the Group has adequate long-term prospects. This assessment has been made with reference to the Group's current financial position, its prospects, its strategy and its principal risks, as set out in the Strategic Report.

Business planning and stress testing

The Group undertakes an annual business planning and budgeting process that includes updated strategic plans together with an assessment of expected performance, cash flows, funding requirements and covenant compliance. The financial forecasts in the business plan have been stress tested over a range of downside scenarios to assess the impact on future profitability, funding requirements and covenant compliance. The scenarios reflect the crystallisation of the Group's principal risks (with particular reference to macroeconomic and regulatory risks) as outlined on pages 80-83. Consideration has also been given to multiple risks crystallising concurrently and the availability of mitigating actions that could be taken to reduce the impact of the identified risks. In addition, the Group undertook a reverse stress test on the financial forecasts to assess the extent to which a recession would need to impact our operational performance in order to breach a covenant.

Viability assessment

The Directors have determined that three years is an appropriate period over which to provide the viability statement because it aligns to the key period of the planning process, and reflects the relatively short-term nature of our business and our ability to change products, adjust credit risk in the receivables book and flex our business model. Delivery of the business plan is expected to require the Group to access wholesale funding markets during 2024 and we have a successful track record of accessing funding from debt capital markets including during challenging periods. As a result, the Directors have assumed that these markets remain accessible to allow the Group's existing arrangements to be refinanced and further funding put in place if necessary, and that the legal, taxation, and regulatory framework allows for the provision of short-term credit to the markets in which the Group operates.

For further information on funding see pages 36-41.

Introduction to the Corporate Governance Report

"We remain committed to the highest standards of corporate governance, believing it is a critical enabler to delivering long-term, sustainable value to our stakeholders."

Stuart Sinclair
Chair

I am delighted to present this Corporate Governance Report to our shareholders covering the year ended 31 December 2023, which sets out the key areas considered by the Board and its Committees during the year.

As outlined in my Chair's statement on page 7, 2023 has been a strong year for IPF, both in terms of customer outcomes and operating results. Despite continued inflationary pressures and cost-of-living challenges impacting our customers and the business more widely, the Group has managed to deliver strong results through excellent operational execution, tight cost control and other initiatives to increase profitability.

Board composition and changes

The composition and size of the Board is reviewed regularly, and the skills and experience our directors bring to the business are summarised on pages 86 to 87 and 89. Our Board is well balanced and diverse, with a good mix of business knowledge, board experience, international exposure and awareness of risk management matters. In 2023, the composition of the Board remained consistent following the appointment of Katrina Cliffe and Aileen Wallace to the Board in 2022. Aileen underwent a detailed induction plan throughout the first half of 2023, more details of which can be found on page 99.

During the year, the Board's composition met the requirements set out in the 2018 UK Corporate Governance Code, with more than half of our directors (excluding myself) deemed to be independent non-executive directors and met the target set out in Listing Rule 9.8.6(9)R for 40% female representation on the Board. At the end of 2023, the Board comprised four men and three women. For a Company such as ours, with a diverse workforce and a global outlook, we believe this level of diversity is key to ensuring that the Board can appropriately oversee the success of the Group. Further detail on the diversity of the Board and executive management can be found on page 101.

In December 2023, Katrina Cliffe succeeded Richard Holmes as senior independent director. I am confident that Katrina's previous experience as a Senior Independent Director will allow her to continue Richard's excellent work. This change also supports the Board's commitment to meeting the diversity targets set out in Listing Rule 9.8.6(9). I would like to thank Richard for his support as Senior Independent Director and his continuing commitment to his role as Non-Executive Director and Chair of the Audit and Risk Committee. Katrina will also continue her excellent work as Board Workforce Engagement Director alongside her new role as Senior Independent Director.

Enhancing board processes

As a Board, we are committed to the highest standards of corporate governance, believing it is a critical enabler to delivering long-term, sustainable value to our stakeholders. As Chair of the Board, I have ultimate responsibility for ensuring that the Board and its Committees continue to remain effective and operate to a high standard. We also recognise that in order to maintain our effectiveness, we need to continually review and evaluate our processes to ensure that they remain in line with best practice and continue to support effective decision-making by the Board. As such, with the assistance of the Company Secretariat, I have focused in 2023 on enhancing our board processes throughout the year. Further information on the improvements made to our Board processes can be found on page 93.

Engaging with our stakeholders

We have a diverse and global community of stakeholders which includes our customers, employees and customer representatives, communities, investors and rating agencies, suppliers, and the regulators, politicians and NGOs relevant to our businesses. The Board recognises the importance of gaining insights into the views of our stakeholders in order to understand better their needs and to inform decision-making.

The Board actively seeks opportunities to understand the views of stakeholders. Further details of how the Board engages with each of our key stakeholders and examples of how they have been considered in the decisions made during the year are included on pages 43 to 45 and 94. The Directors' duties under s172 of the Companies Act 2006 underpin the sound governance at the centre of our decision-making and further information regarding our s172(1) statement is on page 44.

In 2023, the Board sought to increase oversight of engagement with stakeholders through the introduction of a biannual update that sets out engagement activities that have taken place during the previous six-month period for each stakeholder group and any actions that were taken by the Group following engagement with each of these groups. The Board has also put stakeholders at the forefront of decision-making by ensuring that every Board paper refers to how any decisions made may impact our stakeholders.

During the year, we responded to stakeholder feedback in respect of remuneration, following a vote of 77.05% votes in favour of the advisory vote to approve the 2022 Directors' Remuneration Report (excluding the Directors' Remuneration Policy) at the 2023 Annual General Meeting (AGM). We released an update on this matter following the AGM and six months later in accordance with the UK Corporate Governance Code. A further update on engagement with shareholders on remuneration can be found on page 111.

A materiality assessment was also completed during the year, which engaged with stakeholders to identify the issues that they believe are most relevant to our business. Further information on the materiality assessment can be found on page 47.

Whilst the Board strives to achieve the best outcome for all our stakeholders, we recognise that it is not always practicable to please all stakeholders all of the time. Therefore, a key part of the Board process is to balance the sometimes conflicting needs of our stakeholders to ensure all are treated consistently and fairly.

Purpose, culture and values

Our purpose is to build a better world through financial inclusion and our culture of doing the right thing for our customers, colleagues and communities is integral to this. As a Board, we set our purpose, culture and values as well as ensuring these are aligned to our strategy and embedded across the Group.

Further information on purpose, culture and values can be found on page 95.

Board effectiveness

An important requirement of good governance is for an annual Board effectiveness review to be carried out to assess whether the Board continues to operate and perform effectively.

At the end of 2023, an internal board effectiveness review was conducted. The overall conclusions were that the Board, its committees and each director continued to be effective in their roles, and further details on the review findings, recommendations and the actions agreed can be found on pages 102 and 103.

Stuart Sinclair
Chair

2023 highlights

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

Responded to changing consumer preferences and the evolving regulatory landscape in Poland by adapting our strategy and products to meet customer needs, comply with new regulations and mitigate impact on financial performance.

Successfully expanded into new geographies in Mexico.

Grew profitability across IPF Digital's six territories reflecting strong product innovation and cost control.

Continued progress on the Group's purpose journey, helping colleagues to understand how they contribute to our purpose on a day-to-day basis.

Our Board and Committees

Stuart Sinclair
Chair

N R

Length of service: 4 years

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

Key skills: Highly experienced Chair, non-executive director and CEO with a background in consumer financial services.

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

Current directorships: Chair of Willis Ltd and member of advisory board at the Bradford Literature Festival.

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

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

International expertise: EMEAs, Americas, Africa, Asia Pacific.

Gerard Ryan
Executive director
and Chief Executive Officer

D

Length of service: 12 years

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

Key skills: Inspirational leadership and effective, objective implementation of strategy; over 30 years' multi-country experience in consumer financial services.

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

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

Qualifications: Fellow of the Institute of Chartered Accountants in Ireland.

International expertise: EMEAs, Americas

Gary Thompson
Executive director
and Chief Financial Officer

D

Length of service: 2 years

Responsibilities: Financial performance and reporting; group funding and debt investor relations, equity investor relations; Board accountability for internal audit and taxation; the executive relationship with the external auditor; leadership of the Group finance team and other corporate functions; and Chair of the Disclosure Committee.

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

Contributions: Establishment and owner of the Group's financial model; effectively supporting the Board, the CEO and executive management in driving optimum financial performance; diversifying the funding base; and developing a more proactive investor relations programme to increase confidence and shareholder value.

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

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

International expertise: EMEAs

Katrina Cliffe
Senior independent
non-executive director

A

Length of service: 2 years

Responsibilities: Workforce Engagement Director and SID.

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

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

Current directorships: Non-executive director of DCC plc, acting Chair of the Board and Chair of the Remuneration Committee of Vue International.

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

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

International expertise: EMEAs

Deborah Davis
Independent
non-executive director

A N R

Length of service: 5 years

Responsibilities: Chair of the Remuneration Committee.

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

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

Current directorships: Non-executive director of Lloyds Banking Group/ Scottish Widows Insurance Board, non-executive Chair of Diaceutics plc, non-executive director of The Institute of Directors in the UK (until April 2024), IDEX Biometrics ASA in Norway (until May 2024), and a Trustee of Southern African Conservation Trust in South Africa.

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

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

International expertise: EMEAs, Americas, Asia Pacific

Richard Holmes
Independent
non-executive director

A N R

Length of service: 4 years

Responsibilities: Chair of the Audit and Risk Committee

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

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

Current directorships: Advisor to Revolut UK Ltd, non-executive director of Itau BBA International plc and a trustee of the Barry and Peggy High Charitable Foundation.

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

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

International expertise: EMEAs, Americas

Aileen Wallace
Independent
non-executive director

N

Length of service: 1 year

Key skills: Experienced non-executive with a wealth of transformational experience including business build-out and digitally enabled growth.

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

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

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

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

International expertise: EMEAs, Asia Pacific

A Audit and Risk Committee

D Disclosure Committee

N Nominations and Governance Committee

R Remuneration Committee

● Committee Chair

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

The Company complied with the relevant provisions set out in the 2018 version of the Code, which applied throughout the financial year ended 31 December 2023. In our 2022 Annual Report and Financial Statements, we reported that we had not undertaken activity to engage with employees in relation to remuneration in 2022. We are pleased to confirm that we have complied with this provision in 2023.

The Code is available on the FRC's website: www.frc.org.uk. The table below sets out how the Code principles have been applied.

Principle	Board leadership and company purpose	Pages
A	A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	12 to 13, 20 to 21 and 89 to 94
B	The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	4, 20, 29, 85 and 95
C	The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	78 to 83
D	In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	42 to 45 and 47
E	The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	51 to 55 and 60
Principle	**Division of responsibilities**	**Pages**
F	The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	93, 98 and 106
G	The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	86 to 87 and 92
H	Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	97 and 105
I	The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	93, 98 and 106
Principle	**Composition, succession, evaluation**	**Pages**
J	Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	97, 102 and 104
K	The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	86 to 87 and 89 to 90
L	Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	98 and 106
Principle	**Audit, risk and internal control**	**Pages**
M	The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions, and satisfy itself as to the integrity of financial and narrative statements.	104 to 109
N	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	109
O	The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	78 to 83 and 109
Principle	**Remuneration**	**Pages**
P	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	113 to 116
Q	A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	117
R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	112 and 118 to 119

Governance at a glance

Key priorities for 2024

To build products, channels and territories to ensure our offers are attractive to the next generation of customers.

To become a smarter and more efficient organisation that makes a positive impact on society.

To invest in the capabilities required to become a data driven and technology-enabled partner for our customers.

Our Next Gen strategy

Three strategic pillars

1. Next Gen financial inclusion
2. Next Gen organisation
3. Next Gen technology and data

For more information see page 20.

Board skills matrix

Our board skills matrix outlines the topics which we believe every director must be familiar with to be effective in their role and the specific areas of expertise each director contributes to the Board.

	Gerard Ryan	Gary Thompson	Stuart Sinclair	Richard Holmes	Deborah Davis	Katrina Cliffe	Aileen Wallace
Strategy (FI, O, TD)	●	●	●	●	●	●	●
Financial services (FI)	●	●	●	●	●	●	●
Corporate Finance and Treasury (FI)	●	●		●			
Audit and financial reporting (FI)	●	●		●			
Risk management (FI, O, TD)	●	●	●	●	●	●	●
Technology, data and cyber security (TD)			●		●		●
Customer operations and engagement (FI, O, TD)	●		●	●	●	●	●
Regulatory (FI, O, TD)	●	●	●			●	●
Sustainability (O)		●			●		
International (O, TD)	●		●	●	●	●	●
Remuneration (O, TD)			●	●	●	●	●

● = extensive experience

Strategic pillars key FI Financial inclusion O Organisation TD Technology and data

Board attendance 2023

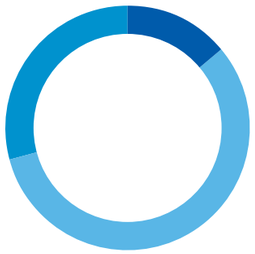
There were seven scheduled Board meetings during the year, with details of attendance set out in the table below. There were two board strategy sessions.

Director	Meetings[1]	No. of meetings attended	% of meetings attended
Stuart Sinclair	7	7	100%
Gerard Ryan	7	7	100%
Katrina Cliffe	7	7	100%
Deborah Davis	7	7	100%
Richard Holmes	7	7	100%
Gary Thompson	7	7	100%
Aileen Wallace[2]	7	6	85%

1. The meetings that each individual was entitled to and had the opportunity to attend.
2. Aileen Wallace was unable to attend one meeting due to a schedule conflict which the Board was made aware of prior to her appointment.

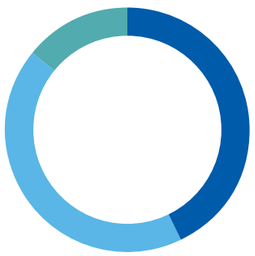
Board

Composition



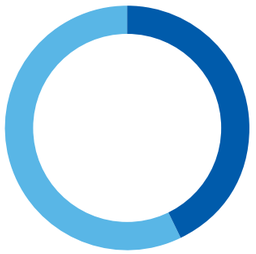
Chair	14%
Non-executive directors	57%
Executive directors	29%

Tenure



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

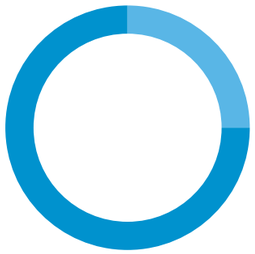
Gender Diversity



Female	43%
Male	57%

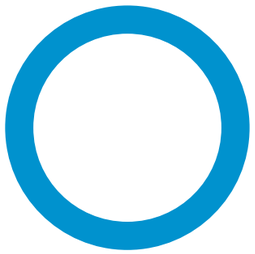
Committee compositions

Nominations and Governance Committee



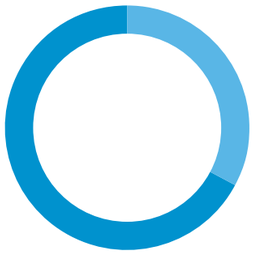
Executive directors	0%
Chair	25%
Non-executive directors	75%

Audit and Risk Committee



Executive directors	0%
Chair	0%
Non-executive directors	100%

Remuneration Committee



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

Role of the Board and its Committees

The Board

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

In carrying out their duties as a Board, the directors are fully aware of, and comply with, their responsibilities and duties under Section 172(1) of the Companies Act 2006 (see page 44 for our s172(1) statement).

The Board controls the business but delegates day-to-day responsibility to the CEO. There are, however, a number of matters which are required to be, or, in the best interests of the Group should be, decided by the Board of Directors. These are known as the matters reserved for decision by the Board. The formal schedule can be found on our website at www.ipfin.co.uk and includes: approval of strategy and determining the nature and extent of significant risks the Group is willing to take; Board and Committee composition and Committee terms of reference; annual budgets, significant project expenditure and funding strategy; and approval of the Annual Report and Financial Statements and regulatory announcements.

Any matters which are not set out in this schedule, nor in the terms of reference of a relevant Committee of the Board, are deemed to have been delegated to the CEO. The CEO may delegate powers relating to these matters to such persons or Committees, by such means and on such terms and conditions as he or she thinks fit.

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

More information on the work of the Committees throughout the year can be found on pages 97 to 126.

Board Committees and their reserved matters

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

Audit and Risk Committee

Oversee and provide assurance to the Board on the integrity of the Company's financial reporting and statements.

Oversee and provide assurance to the Board on the effectiveness of the Group's internal controls and risk management systems.

Oversee and provide assurance to the Board on the internal and external audit processes.

Provide oversight of risk management across the Group including overseeing and advising the Board in relation to current and future risk exposures.

Read more on page 105.

Remuneration Committee

Establish formal and transparent remuneration policy and practices on executive remuneration.

Design and determine remuneration and benefits for the Chair, Executive Directors and other senior management as required by the 2018 UK Corporate Governance Code.

Review workforce remuneration and related policies to ensure alignment of incentives and rewards with culture; oversee the design and terms of executive and all employee share-based incentive plans.

Review the performance evaluations undertaken of the Executive.

Read more on page 110.

Nominations and Governance Committee

Review the composition of the Board and lead the process on proposed appointments to the Board and senior management.

Ensure that the Board, its Committees and the senior leadership team consist of individuals with the appropriate balance of skills, experience, diversity, independence and knowledge to enable it to discharge its duties and responsibilities effectively.

Keep the Board's governance arrangements under review and make appropriate recommendations to the Board to ensure that its arrangements are consistent with relevant corporate governance standards and best practice.

Read more on page 97.

Disclosure Committee

Assist in the design and evaluation of disclosure controls and procedures.

Monitor compliance with disclosure controls and procedures.

Review requirements for, and content of, regulatory announcements.

Division of responsibilities

The roles of the Chair and Chief Executive Officer are defined clearly and the division of responsibilities is established and set out in writing in the Board role profiles which were approved by the Board in 2023 and can be found at www.ipfin.co.uk. The principal responsibilities of each role can be found below.

As well as these responsibilities, it is the responsibility of every director to lead the business in accordance with the Company's purpose – *building a better world through financial inclusion.*

Chief Executive Officer
Gerard Ryan

- To create and update, with approval of the Board, the Group purpose, values and strategy ensuring that responsibilities to shareholders, employees, other stakeholders and legislative and regulatory bodies are met.
- To lead and develop the senior management group to develop and implement the overall Group strategy and plans that deliver strong performance and sustainable growth in shareholder value.
- Implement and uphold the Group's purpose and values, whilst ensuring appropriate plans are in place to identify, anticipate, manage and mitigate risks to the business.

Chief Financial Officer
Gary Thompson

- Partner with the Chief Executive Officer in setting the future direction of the Company, enhancing business performance and delivering increased shareholder value.
- Ensure that the Group's ambition for strong sustainable growth and excellence in customer service is achieved through partnering with senior management and providing constructive challenge to our operational management teams.
- Ensure that business decisions are grounded in financial criteria and market insight.
- Understand and manage risk through a commercial, as well as a financial lens; enabling the business to execute on its strategy and manage business complexity whilst minimising risk.
- Maintain a strong internal control environment and robust financial reporting processes and provide assurance to the Board through management of the Internal Audit function.

Chair
Stuart Sinclair

- Manage and provide leadership to the Board.
- Safeguard and promote the long-term success and sustainability of the Company to the benefit of its shareholders and the Company's other stakeholders.

Senior Independent Director
Katrina Cliffe

- Serve as a sounding board for the Chair, to act as an intermediary for the other directors.
- Lead the process for Chair succession as required.
- Safeguard and promote the long-term success and sustainability of the Company for the benefit of its shareholders and the Company's other stakeholders.

Non executive director
Deborah Davis, Richard Holmes, Aileen Wallace

- Safeguard and promote the long-term success and sustainability of the Company for the benefit of its shareholders and the Company's other stakeholders.

Board activities during 2023

The Board has ultimate responsibility for the overall leadership of the Group, overseeing the development and delivery of a clear Group strategy and ensuring the long-term sustainable success of the Company for all stakeholders. It monitors operational and financial performance against agreed goals and objectives, and challenges the executive directors on its proposals relating to the management of the business. The Board ensures that appropriate controls and systems exist to manage risk and that there are the financial resources and people with the required skills to achieve the strategic goals the Board has set. The information in this section summarises the Board's activities during 2023 and the discussions that took place in the discharge of its duties to the Company. Our s172(1) statement is on page 44.

The Chair sets the annual Board programme and agenda, with support from the Chief Executive Officer and the Company Secretary. The Chair also determines the number of meetings to be held during the year, with this kept under review, and ensures that enough time is devoted, during meetings and throughout the year, to discuss all material matters including strategic, financial, operational, business, risk, ESG and human resource. The Board agendas are structured to ensure there is an appropriate balance of time allocated to strategic matters, management reporting and governance-related items.

At each scheduled Board meeting, the Chief Executive Officer and Chief Financial Officer present separate reports, detailing business performance and progress against strategy. These are supplemented by performance updates from each of the divisional heads of the Group.

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

In addition to the routine Board meetings, the Board participated in an annual and mid-year strategy review. During these sessions, the Board considered re-articulation of the strategy, changes to the external environment, strategic progress, and a vision statement which aligned with the Group's strategy. Additionally, the Board discussed key topics affecting the Group including technology, expanding our customer offering and growing our customer base, and climate risks and opportunities.

The majority of the Board meetings were held in the Group's head office in Leeds, with a market-based Board meeting held in Warsaw in October 2023. During their visit to Warsaw, the Board attended presentations with our IPF Digital and Provident teams, as well as visiting branches and joining customer representatives on customer visits.

An overview of the range of matters that the Board considered, discussed or approved where appropriate and the stakeholders considered at its meetings during the year are outlined on page 94.

Board processes

Throughout the year, there has been a focus on improving our Board processes to ensure that the Board remains effective and operates to a high standard at all times. Although there have been a number of enhancements throughout the year, the key improvements are set out below.

Firstly, the annual planners for the Board and its Committees were reviewed and mapped against the Matters Reserved for the Board and the Terms of Reference. This provided assurance to the Board and its Committees that they would be discharging all their responsibilities throughout the year and that there would be sufficient time to discuss all the required matters.

Secondly, work was undertaken to improve Board paper structure and to ensure that the purpose of each Board paper is clear. This has included developing a template for all presenters to use. This incorporates a cover sheet providing an executive summary and the purpose of the paper, along with any previous and future considerations and the next steps following the Board discussion. The cover sheet also includes a section on stakeholder impact, which assists the Board when considering how its decision-making may affect key stakeholders. As well as improving the overall Board paper template, updates have also been made to the Chief Executive Officer and Chief Financial Officer reports. In collaboration with the Chief Executive Officer, a new template for the report has been developed which covers the Chief Executive Officer's insights into the reporting month, an overview of stakeholder engagement, updates on key strategic projects, market reports, macroeconomic and regulatory updates, and Group management information. On a quarterly basis, the Chief Executive Officer's report also includes the change dashboard, which provides insight into the risks and opportunities related to IT and change projects, as well as ESG metrics. Additionally, the Chief Financial Officer's report has been updated to include more charts and signposting, which allows the Board to spot trends in the data and challenge appropriately.

Finally, improvements were made to the internal Board effectiveness review process to ensure that this now includes an analysis of the Matters Reserved for the Board/Terms of Reference. This allows the Board and its Committees to be satisfied that they have discharged their responsibilities during the year as part of reviewing their overall effectiveness. Further information on the Board and Committee effectiveness reviews can be found on page 102.

Matters considered	Outcome	Our stakeholders	Links to strategic pillars
Strategy and management	– Reviewed and approved the Group's Next Gen strategy at the annual and mid-year review meetings and received updates at intervals during the year. – Reviewed the Group's operational and financial performance with regular presentations from the Chief Executive Officer and Chief Financial Officer enabling oversight of business performance against targets, budget and strategy. – Supported the continuation of the strategic retail partnership initiative with the long-term aim of strengthening our market position. – Reviewed and approved the Responsible Business Framework (ESG Strategy). For more information, see page 46. – Received an update from the Chief Human Resources Officer on the human resources strategy. – Received an update from the Chief Information Officer on the technology strategy. – Considered the culture of the Group and how the Board sets the culture and maintains oversight. – Considered the key themes of the 2023 Annual Report and Financial Statements. – Approved the Group's purpose, values and vision statement.		FI O TD
Board composition and effectiveness	– Reviewed Board composition regularly to ensure the right mix of skills, knowledge, experience and diversity for the Board to continue to be effective. – Reviewed and considered conflicts of interest, independence and time commitments of the directors. – Participated in a Board effectiveness review process and agreed key priorities following a review of findings. – Received training including an annual session on the product roadmap and mobile wallet.		O
Financial reporting	– Approved the 2022 Annual Report and Financial Statements including the long-term viability and going concern statements. – Reviewed and approved the half- and full-year results announcements, quarterly trading updates and presentations to investors and analysts. – Approved the progressive dividend policy for 2023 and future years. – Monitored the Group's funding position and compliance with the Group's financial covenants. – Reviewed and approved Group treasury policies. – Approved the update to the Euro Medium Term Note prospectus in August 2023. – Approved the 2024 Group budget and business plan for 2024 to 2028, reviewing key assumptions, inputs and risks, and monitored performance and variances against the 2023 budget and business plan.		FI
Risk management and internal controls	– Reviewed and approved risk appetite proposals and the updated risk management policy. – Reviewed and approved the assessment of principal risks, including climate risk and emerging risks. – Received reports from the Audit and Risk Committee of the Group's systems of risk management and internal controls, and confirmed their effectiveness. – Received regular updates through the Audit and Risk Committee in respect of internal and external audit reviews, and agreed the internal audit programme for the year. – Approved the reappointment of Deloitte LLP as auditor on the recommendation of the Audit and Risk Committee. – Received and considered updates on the tender process for the Group's auditor.		FI O TD
Governance	– Approved the resolutions to be put to shareholders at the 2023 AGM. – Reviewed and approved the proposed rules of the Restricted Share Plan to be put to shareholders at the 2023 AGM. – Approved the appointment of Katrina Cliffe as Senior Independent Director. – Approved updated Matters Reserved to the Board and Board Committees' Terms of Reference. – Reviewed and approved the Group's tax strategy. – Reviewed and approved the Modern Slavery Statement and Policy. – Reviewed and approved the Group Capital Management Policy. – Reviewed and approved the Human Rights Policy. – Reviewed and approved the Corporate Sustainability Policy.		FI O TD
Stakeholder engagement	– Received bi-annual updates on engagement activities with all stakeholders undertaken throughout the year. – Received updates on the general wellbeing and health and safety of colleagues, as part of routine reports from the executive directors and management. – Received an annual health and safety update from the Health and Safety Manager. – Received updates on equity and debt investor sentiment in response to financial results and from bondholders and potential bondholders as part of the Chief Executive Officer and Chief Financial Officer reports.		

Our stakeholders key

- Customers
- Employees and customer representatives
- Regulators and legislators
- Suppliers
- Communities
- Investors and ratings agencies

Strategic pillars key

- FI Financial inclusion
- O Organisation
- TD Technology and data

Board overview of purpose

Company purpose

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

Having a clear purpose guides the Board and the executive directors in managing the business and provides a common goal. The Board reviews and approves the purpose, values and vision statement annually to ensure that these remain appropriate for the Group. By delivering on our purpose, we serve and create value for our stakeholders. This supports a strong culture which drives performance across the business both in terms of financial and non-financial value. The Board sets the strategy for the Group and throughout the year it receives regular updates to ensure it is delivered in line with our purpose.

Our purpose of building a better world through financial inclusion explains why we exist and reminds us of who we serve and why. We help consumers, who have lower to medium incomes and often a limited credit history, access the financial system. We are a responsible lender, well positioned to provide an entry point to mainstream consumer finance, serving customers with regulated credit products.

We continue to deliver on our purpose by removing barriers that exclude the underserved from the financial sector by:

- responsibly serving more customers;
- providing appropriate products and services;
- offering solutions to underserved people;
- expanding our geographic reach; and
- supporting our customers who have financial difficulties.

During 2023, the Board focused on ensuring that purpose was embedded in the strategic planning process, which included approving the purpose and values of the Group following the Board strategy day and giving consideration to our purpose as part of the Group's annual budget and business plan process. The Board also refreshed the articulation of the Group's strategy to ensure that it was consistent with our purpose and this was communicated to the Group as part of a strategy roadshow by the Chief Executive Officer and the Chief Strategy and Planning Officer.

Culture and values

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

In addition to the annual culture review, the Board also reviewed the results of the 2023 Global People Survey, which provides a real insight into the culture of the Group. The Chief Human Resources Officer presented the findings to the Board and identified follow up actions which included focus groups and action plans to ensure that any areas of improvement were followed up. Further information on the Global People Survey can be found on page 54.

The Board also recognises that it is accountable to stakeholders for ensuring that the Group is managed appropriately and achieves its objectives in a way that is supported by the right culture and behaviours. Our values, responsible, respectful and straightforward, are regularly reviewed and approved by the Board. They support our culture and help colleagues understand the importance of how we work together as a team and how we place customers at the centre of what we do.

How does the Board oversee culture?

- Board reporting
- Workforce Engagement Director
- Branch/market visits
- Skip level meetings
- Board dinners with attendees from various levels of management
- Business plan approval
- Purpose approval
- Values approval
- Risk appetite
- Internal audit reports
- Whistleblowing updates
- Key recruitment
- Executive director objectives and rewards

Building a better world through financial inclusion

Employee engagement

The Board routinely interacts directly with colleagues through a programme of Board visits and dinners and indirectly through the work of the Workforce Engagement Director, Katrina Cliffe. These activities are designed to enable the Board to develop a strong understanding of the Group and the different matters which are important to colleagues globally. As part of this activity, the Board is able to gain assurance that the Group's policies, practices and behaviour throughout the business is aligned with the Company's purpose, vision and desired culture. The Workforce Engagement Director champions the workforce voice within the Boardroom to strengthen the link between the Board and colleagues. Throughout 2023, Katrina undertook a number of engagement activities as part of the workforce engagement programme as explained in more detail above. Following this engagement with employees and customer representatives, Katrina regularly provided feedback to the Board including as part of regular updates on stakeholder engagement on the insights she had developed from her work in this area.

The Board also undertakes engagement activities as a whole, including branch and market visits, presentations, dinners and other ad-hoc interactions. This allows the Board to meet a broad spectrum of individuals from different areas of the Group including sales, marketing, IT, legal, compliance, data protection, corporate affairs, human resources, finance, health and safety, internal audit and risk.

More information on how the Group engaged with colleagues can be found on page 42 and pages 51 to 55.

Nominations and Governance Committee Report

Stuart Sinclair
Chair of the Nominations and Governance Committee

"During 2023, the Committee sought to broaden its areas of focus to ensure that the Group remained well governed."

Committee members

Stuart Sinclair, Chair

Deborah Davis, Independent non-executive director

Richard Holmes, Independent non-executive director

Aileen Wallace, Independent non-executive director

The table below shows the number of meetings held and the directors' attendance during 2023.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Stuart Sinclair	5	5	100%
Deborah Davis	5	5	100%
Richard Holmes	5	5	100%
Aileen Wallace[2]	5	4	80%
Gerard Ryan[3]	3	3	100%

Notes

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Aileen Wallace was unable to attend one meeting due to a schedule conflict which the Board was made aware of prior to her appointment.
3. Gerard Ryan resigned as a member of the Committee in April 2023 but still attends meetings, in line with best practice.

Dear shareholder,

I am delighted to introduce this report for the year ended 31 December 2023, covering the vital part the Committee played in ensuring that the Board is effective and the Group is well governed.

Key responsibilities of the Committee

Details on the Committee's key responsibilities can be found below and in our Terms of Reference at www.ipfin.co.uk.

The Committee's purpose is to:

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

Committee composition and changes

I chair the Committee and was regarded as independent on appointment. I will not chair the Committee when it is dealing with matters of succession to the Chair of the Board. The Committee also comprises three other independent non-executive directors, Deborah Davis, Richard Holmes and Aileen Wallace. During the year, Gerard Ryan stepped down from the Committee, but he continues to attend each meeting of the Committee meetings.

Key areas of focus during the year

During 2023, the Committee sought to broaden its areas of focus to ensure that the Group remained well governed.

Firstly, the Committee focused on ensuring that succession arrangements will enable the Board to continue to lead the Group effectively. This work included reviewing succession plans to ensure that the Board has the right balance of skills, expertise and knowledge, and to determine what actions would be taken in the event of a planned or unplanned departure from the Board. This activity was underpinned by an assessment of the Board's skills, knowledge and tenure in terms of the Company's Next Gen strategy overseen by the Chair. The skills matrix on page 89 sets out the attributes we consider to be key for the long-term success of the business as well as how these attributes link to our strategy. The Committee also reviewed in detail the skills and potential of the wider senior leadership team as part of the broader talent management process led by the human resources function.

The second area of focus was on ensuring that the Board continues to operate with a high degree of effectiveness. This is a broad area of responsibility and in 2023 meant the Committee reviewed detailed topics including the 2023 Board training programme, membership of the Board committees and role profiles for Board members. The Committee has also had the opportunity to review external developments in corporate governance to assess whether such developments required changes in the Group's Board governance arrangements. Furthermore, the Committee reviewed the structure, size and ways of working of the Board and oversaw the Group's compliance with the Corporate Code. Additionally, the Committee oversaw the implementation of the recommendations from the external Board evaluation review that took place in 2022 and I am pleased to confirm that all recommendations were implemented in 2023.

The Committee also focused on oversight of key policies dealing with matters relevant to our Responsible Business Framework such as Board diversity, political donations, access to independent advice and conflicts of interest. The Committee has welcomed the opportunity to oversee these important policies.

Finally, the Committee continued to review the external appointments of the current directors. This work considered the time commitments arising from current roles to ensure directors are not over boarded and ensuring directors meet required standards concerning independence as well as determining whether new appointments would affect a director's ability to discharge their duties as a director of the Company effectively.

Progress in 2023

- Reviewed Board composition and succession planning.
- Reviewed the governance framework and made recommendations for improvement where appropriate.
- Oversaw the induction of Aileen Wallace.
- Reviewed key policies relating to the Responsible Business Framework.
- Reviewed and updated the Committee's Terms of Reference.
- Oversaw the implementation of the recommendations from the external Board effectiveness review.

Key priorities for 2024

- Focus on succession planning in light of the Group's Next Gen strategy.
- Oversee the implementation of the recommendations from the external Board effectiveness review.
- Keep under review the governance framework and make recommendations for improvement where appropriate.

Committee effectiveness review

An internal effectiveness review of the Board and its Committees was undertaken in 2023, which consisted of a questionnaire completed by the Committee and its regular attendees, and an analysis of compliance with the Committee's Terms of Reference. Overall, the Committee concluded that it had operated effectively and complied with the Committee's Terms of Reference throughout the year.

Feedback from this process indicated that the Committee's main areas of focus in 2024 should be on succession planning, including oversight of executive director performance and ensuring development of key talent.

Annual re-election of directors

As in previous years, Board members will stand for re-election by shareholders at the 2024 AGM. All non-executive directors are considered independent in accordance with the requirements detailed in the Code, and they continue to make effective contributions, constructively challenge management and devote sufficient time to their role. Accordingly, all directors are proposed for re-election. Further details are contained in the Notice of Meeting circulated to shareholders.

Recruitment and succession planning

The Committee recognises the importance of the Board to anticipate and prepare for the future, and ensuring that the skills, experience, knowledge and perspectives of the directors and members of the senior leadership team reflect the changing demands of the business. When considering succession plans, the Committee and the Board are cognisant of the need to ensure that a diverse range of individuals is included and the Board's diversity objectives, as set out in the Board Diversity Policy on page 100, reflect how the Board ensures that diversity is considered when recruiting new directors to the Board and considering succession planning. The Committee's approach to succession includes anticipating departures and allowing sufficient time for orderly succession, ensuring appointments are made on merit against objective criteria and taking into account the Company's strategic priorities and the main trends and factors affecting the long-term success and future viability of the Company. Succession plans are in place for the Chief Executive Officer, Chief Financial Officer, Chair and Non-executive directors for contingency, medium-term and long-term horizons.

On behalf of the Board, the Committee also leads on oversight of executive talent and succession planning. As part of the broader talent management process, the Committee receives an annual and mid-year update from the Chief Human Resources Officer on talent and succession planning, considering the skills and potential of those in the central management team.

During 2023, the Board also created and approved a Board skills matrix, which sets out the skills of each Board member and allows the Committee to identify skill gaps which will be reviewed as part of the Board's succession planning process. The Board skills matrix can be found on page 89.

Induction of new directors

Aileen Wallace
Independent non-executive director

All directors receive a comprehensive induction programme, designed to ensure that they receive the information, support and guidance, consistent with their own experience and background, required to be able to discharge their role as director.

Aileen Wallace was appointed to the Board in December 2022 and underwent a detailed induction programme facilitated by the Company Secretary, details of which can be found to the right and below.

Aileen Wallace induction programme

In the first six months of 2023, Aileen's induction plan focused on knowledge-based sessions with internal functions and external advisors that covered:

- IPF's culture, products, customers, colleagues, business model, governance of the Group and the markets in which we operate;
- the regulatory context in which each market operates;
- the role of the non-executive director at IPF;
- the processes for managing risk; and
- IPF's stakeholders.

Following discussions with Aileen, these sessions were supplemented by a site visit in Poland and additional sessions with the Chief Information Officer and Chief Marketing Officer when they joined the Group.

Following completion of the induction programme, the Company Secretariat followed up with Aileen to check whether she had any additional requirements to conclude her induction. No further requests were made and the induction was deemed complete. Further detail on Aileen's induction programme have been included below.

Desired outcome	Topics covered	Sessions with
About the Board – the incoming director has a clear understanding of how the Group operates and the current key topics for the Board.	– Key Board discussion points – The roles of the Committees and key discussion points – Board succession planning – Board effectiveness – Board workforce engagement – Governance	– Chair of the Board – Chief Executive Officer – Committee chairs – Workforce Engagement Director – Deputy Company Secretary
About the business – the incoming director gains the required level of understanding of the Group's performance, culture and processes to be able to discharge the role of director successfully.	– Purpose, culture, values – Current strategy and strategic planning process – Strategic partnerships and data science – Employee engagement, human resources strategy, and performance management and succession planning – Key legal, compliance and privacy matters – Key regulatory matters, external trends and risks in the markets – Credit risk performance and Group Risk Framework and reporting	– Chief Executive Officer – Chief Strategy Officer – Corporate Development Director – Chief Human Resources Officer – Chief Legal Officer and Company Secretary – Corporate Affairs Director – Credit Director
About our markets – the incoming director develops a strong understanding of our different markets.	– Overview of the divisions and markets	– Divisional directors – Country Managers
About our IT and change activities – the incoming director has an overview of the Group's IT and information security position and key future priorities.	– IT estate and service – Information security and privacy – Key change projects	– Data Protection Officer – Group Head of Information Security – Chief Strategy Officer
Finance – the incoming director learns about the recent and forecast financial performance of the Group and its external funding activities.	– Current financial position and historic performance including KPIs, current challenges and future opportunities – Financial reporting – Funding, treasury and wholesale activity including funding plans	– Chief Financial Officer – Group Treasurer
Audit – the incoming director learns about internal and external audit processes.	– External audit – Internal audit	– External auditors – Group Head of Internal Audit

Board diversity and policy

Diversity is built into the Group's policies as appropriate and, as a business operating in different countries, collaboration between our international operations is a central dynamic of our culture. Diversity and inclusion is about treating people fairly, equitably and without bias, creating conditions that encourage and promote respect, dignity and belonging. This is embedded in our culture and values.

The Board Diversity Policy formalises its approach to this topic and it can be accessed in the policies section of our website. The purpose of the policy is to set out the Group's approach to diversity of the Board and its Committees. The policy aims to drive balance and alignment with our purpose, strategy and values, through measurable objectives which reflect the actions the Board will take when considering membership of the Board and its Committees. The Committee reviews the policy, including objectives and progress, at least annually.

In setting the principles and objectives of the policy, the Committee and Board acknowledge the external expectations of stakeholders and the opportunities to drive change through succession planning. The Parker Review, Hampton-Alexander Review and the new requirements of Listing Rule 9.8.6(9)R are supported fully by the Board.

The percentage of female representation for the senior leadership team and their direct reports was 27%.

Annual statement on Board diversity targets

On behalf of the Board, the Committee is pleased to confirm that as at 31 December 2023, all three of the targets set out in Listing Rule 9.8.6(9)R, and also included in the Board Diversity Policy objectives, have been met. Further detail on how these targets have been achieved can be found below.

As required by Listing Rule 9.8.6(10)R, detailed numerical information on the gender and ethnicity representation on the Board and our executive management as at 31 December 2023 is set out on page 101. There have been no changes between 31 December 2023 and the date of this report.

Data concerning gender and ethnicity representation was collected directly from all the individual Board and senior leadership team members through a Diversity and Inclusion Monitoring Form (the "Form"). The Form asks the individuals to disclose their gender and ethnicity using the options included on the Form, which align with the detail in the left-hand column of the tables on page 101 and therefore includes the option to not specify an answer. The data was collected on an anonymous basis by the Company Secretariat and this process will be completed annually going forward.

Board Diversity Policy objectives	Implementation	Progress against objectives
Consider candidates for appointment as non-executive directors from a wider pool including those with little or no listed company board experience. Ensure non-executive director 'long lists' include 50% female candidates.	The Board and the Committee recognise the importance and benefits of greater diversity, including gender, age, nationality, ethnic origin, socio-economic background, educational and professional background, sexual orientation and disability. On instruction of an executive search firm, the specification will ensure that candidates with no listed company Board experience are fully considered.	The Board actively seeks diverse candidates. Over the past two years, the Board has appointed two female Board members, Katrina Cliffe and Aileen Wallace. The Board will continue to consider candidates from a wide pool when completing future recruitment.
Engage only with executive search firms which have signed up to the Standard Voluntary Code of Conduct on both gender and ethnic diversity and best practice.	The Board will continue to engage executive search firms that have signed up to the Standard Voluntary Code of Conduct.	When recruiting Katrina Cliffe, the Board engaged with Ridgeway Partners. At the time of engagement, Ridgeway Partners were, and continue to be, a signatory of the Standard Voluntary Code of Conduct.
Maintain a continuous level of at least 40% female directors on the Board.	The Board will continue to ensure that recruitment and succession planning for the Board take consideration of these objectives, whilst also ensuring that any succession plans and appointments are made based on merit and objective criteria.	As set out in the annual statement on board diversity targets above, 43% of individuals on the Board are women.
A female director is appointed to at least one of the senior Board positions (Chair, Chief Executive Officer, Senior Independent Director, Chief Financial Officer).		In December 2023, Katrina Cliffe was appointed Senior Independent Director for the Board.
At least one director from an ethnic minority background is appointed to the Board.		As set out in the annual statement on board diversity targets above, one member of the Board is from an ethnic minority background.

Gender representation as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
Men	4	57.1%	3	11	78.6%
Women	3	42.9%	1	3	21.4%
Not specified/prefer not to say	0	0%	0	0	0%

Ethnic representation as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management[1]	Percentage of executive management[1]
White British or other White (including minority-white groups)	6	85.7%	4	14	100%
Mixed/Multiple ethnic groups	0	0%	0	0	0%
Asian/Asian British	1	14.3%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

1. Per the definition within the Listing Rules, executive management at IPF is the senior leadership team, which includes the Company Secretary. The Chief Executive Officer and Chief Financial Officer have not been included in the executive management data as they are included in the data for the Board.

Independence and external commitments

The Committee reviews requests for external appointments carefully, taking into account the directors other commitments and their role on the Board. An executive director will be permitted to hold one non-executive directorship (and to retain the fees from that appointment) provided that the Board considers this will not affect their executive responsibilities adversely. The executive directors currently do not hold any external directorships. A non-executive director should not hold more than four other material non-executive directorships. If they hold an executive role in a FTSE 350 company, they should not hold more than two other material non-executive directorships.

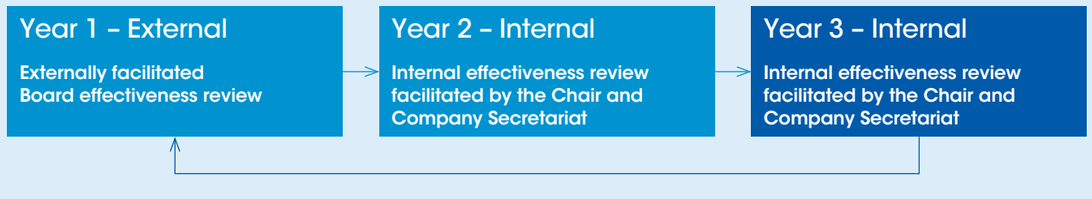
In line with the Code, non-executive directors are required to seek Board approval prior to taking on any additional appointments. In January 2023, the Committee recommended to the Board the approval of Katrina Cliffe's appointment as a non-executive director of DCC plc, which took effect from 1 May 2023. In October 2023, the Committee also recommended the approval of Aileen Wallace's appointment as a non-executive director of Tandem Bank Limited and Tandem Money Limited. In making these decisions the Committee were assured that both Katrina and Aileen would continue to be able to devote the appropriate time to their roles as non-executive directors of the Company and the new roles would not give rise to any conflict of interests. The external commitments of the Chair and the other non-executive directors were also reviewed and the Board is satisfied that these do not conflict with their required commitment to the Company.

The independent non-executive directors are appointed for an period of three years initially, subject to annual re-election by shareholders at the AGM. This period may be extended, following recommendation by the Nominations and Governance Committee, for two further three-year periods. The Board will not normally extend the aggregate period of service of any independent non-executive director beyond nine years. Their letters of appointment may be inspected at our registered office and copies are available from the Company Secretary.

Each of the non-executive directors has been formally determined by the Board to be independent for the purposes of the Code and the Chair was considered to be independent on appointment. Katrina Cliffe was appointed as the Senior Independent Director on 1 December 2023. She will be available to shareholders should they have concerns which contact through the normal channels of Chair and Chief Executive Officer has failed to address or for which such contact is inappropriate. The Senior Independent Director will review the performance of the Chair on an annual basis and will consult with other Board members as part of the review. They will also consider the relationship between the Chair and the Chief Executive Officer.

Board effectiveness review

The Board undertakes a formal and rigorous evaluation of the performance of the Board, its Committees, the Chair and individual directors on an annual basis. This process follows a three-year cycle, with the 2022 Board effectiveness review being facilitated externally and the next externally facilitated effectiveness review being due to be undertaken in 2025.



Stage 1 September 2023	Proposals for the 2023 Board and Committee effectiveness review processes were reviewed and approved by the Committee, following consultation with the Chairs of the Board and its Committees.
Stage 2 October 2023	Each director completed a questionnaire for the Board and the Committees of which they were a member of. Regular attendees of each Board Committee were also invited to complete the questionnaire.
Stage 3 October 2023	The Chair and the non-executive directors met without the executive directors being present and provided feedback on their performance throughout the year for the Chair to feed into their performance reviews.
Stage 4 December 2023	The Committees reviewed the results from the committee effectiveness questionnaire and the Terms of Reference analysis. All Committees confirmed that they continue to operate effectively.
Stage 5 December 2023	The Chair completed performance reviews for all the non-executive directors. It was confirmed that all non-executive directors continue to be effective in their roles. Following discussion and feedback from the other non-executive directors, the Senior Independent Director, Katrina Cliffe, completed the Chair's performance review. It was confirmed that the Chair continues to be effective in his role.
Stage 6 January 2024	The Board reviewed the results from the Board effectiveness review, along with the Matters Reserved analysis, and the confirmation from the Committees that they continue to operate effectively. They also received confirmation from the Chair and the Senior Independent Director that all directors continue to be effective in their roles. The conclusion of the Board effectiveness review was positive, and confirmed that the Board as a whole continues to operate effectively. The composition of the Board was considered to be effective and it continued to provide successful leadership to the Group, comprising the appropriate balance of experience, skills, knowledge and diversity of background to implement the Group's strategy. The Board places significant reliance on its Committees by delegating a broad range of responsibilities and issues to them, and receives verbal updates from the Chairs of each of the Committees at the Board. Following discussions, it was agreed that the performance of the Board, its Committees, the Chair and each of the directors continues to be effective. Following consideration of the results of the review, the Nominations and Governance Committee approved an action plan to be implemented and monitored during 2024. The action plan addresses the main feedback received during the effectiveness review process.

The Committee ensured that the following actions were taken during 2023, following on from the 2022 Board Evaluation. As part of the overall Board effectiveness process, the Committee reviewed progress against the actions during the year.

Recommendations from 2022 Board effectiveness review	Actions taken during 2023
Consider how Board discussions are better able to contribute to the development of strategy.	Throughout the year, the Chief Strategy Officer and the Chief Executive Officer engaged with the Chair to develop the strategy process and ensure that strategic discussions were effective. This included making sure strategy documents were provided to members in sufficient time.
New Chief Information Officer to present regular updates to the Board to provide clarity on the Group's technology strategy and to consider the resource and capability required.	In December 2022, the Matters Reserved for the Board were amended to include updates from the Chief Information Officer on the Group technology strategy. Following his appointment, the Chief Information Officer will now present to the Board twice annually, which in 2023 included a presentation to the Board in July providing oversight of the development of the strategic plan for technology across the Group.
Understand the risks and opportunities relating to technology projects.	The risks and opportunities of technology projects are covered as part of the regular Chief Information Officer updates. A change dashboard is also provided to the Board on a quarterly basis as part of the Chief Executive Officer's report which provides further insight into these risks over the year.
Review the information the Board receives in order to monitor ESG performance and how it is incorporated into strategic discussions.	Throughout the year, the Board received several papers on ESG matters including approving the Responsible Business Framework. Additionally, the Board receives ESG metrics on a quarterly basis as part of the Chief Executive Officer's report which allows the Board to monitor ESG performance. As part of the Strategy day in December, the Board also considered climate risks and opportunities for the business and how this external force effects the Company's strategy.
Spend more time considering the wider stakeholder base including communities, regulators and politicians.	The Board now considers stakeholders in detail on a twice-yearly basis as part of a dedicated stakeholder update. This covers how the Board and the Group have engaged with each particular stakeholder group throughout the year and what actions have been taken since the previous update. Additionally, stakeholders are also considered as part of every paper following the introduction of a template for board papers. More information about our improvement to Board processes can be found on page 93.
Seek shareholder views to inform Board decision-making.	The Board continues to consider shareholder views to inform decision-making. At every Board meeting, the Chief Executive Officer's report includes an update on investor relations and the Chief Financial Officer's report also includes a more detailed update on shareholder engagement throughout the period. Additionally, the Board's new cover sheet template includes consideration of all stakeholders for every paper.
Gain greater understanding around IT and cyber risks through regular deep-dive discussions.	In December 2022, the Matters Reserved for the Board were amended to include updates from the Chief Information Officer on the Group technology strategy. The Chief Information Officer now attends the Board bi-annually and covers IT and cyber risk in these regular updates. He has also been invited to attend all Audit and Risk Committee meetings where internal audit actions, and IT and cyber risk are discussed regularly.
A dedicated training session on cyber risks will be arranged during the year.	The Chief Information Officer update which goes to the Board bi-annually covers cyber risk and will continue to do so going forward.
Review board paper structure and ensure the purpose of each paper is clear.	In 2023, a template for board papers was introduced to assist with the structure of papers and to ensure that the Board is clear on the purpose of each paper. More information about our improvement to Board processes can be found on page 93.

Stuart Sinclair
Chair of the Committee

14 March 2024

Audit and Risk Committee Report

Richard Holmes
Chair of the Audit and Risk Committee

"Throughout the year, we continued to monitor the effectiveness of the Group's systems of internal control and risk management, and provided effective oversight and independent scrutiny to ensure the presentation of a balanced, true and fair view of the Group's performance during 2023."

Committee members

Richard Holmes, Chair and non-executive director

Deborah Davis, Independent non-executive director

Katrina Cliffe, Senior independent non-executive director

The table below shows the number of meetings held and the directors' attendance during 2023.

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

Notes

1. The scheduled meetings that each individual was entitled to, and had the opportunity to, attend.
2. The Committee members' expertise, qualifications and relevant experience is set out in each of their biographies on pages 86 to 87.
3. Richard Holmes stepped down as Senior independent director on 1 December 2023 and on the same date was succeeded in that role by Katrina Cliffe.

Dear shareholder,

On behalf of the Committee, I am pleased to present the Audit and Risk Committee's Report for the year ended 31 December 2023, which explains our work and how we met our audit, risk management and internal control responsibilities.

The year in review

This section of the Annual Report and Financial Statements sets out how the Committee has addressed both routine and emerging issues during the year. As mentioned elsewhere in this Annual Report, the key challenges for the business and for the Committee continued to be the uncertain global macroeconomic environment and cost-of-living crisis which impacted our customers and our own cost-base, driven in part by the wars in Ukraine and more recently the Middle East; continuing regulatory challenge; and our approach to ESG through the development of our Responsible Business Framework strategy.

The Committee monitored the consequent impacts on the Group's Financial Statements closely and, despite continuing uncertainty, was pleased to see the delivery of a very good operational and financial performance.

The Committee also addressed a range of routine matters, receiving regular updates from the internal audit team on internal control matters, including the management of cyber threat, information security and business continuity, and the continuing development of the Group's framework for internal non-financial control. Where the Committee identified areas requiring improvement, processes were put in place to ensure that the necessary action was being taken and that progress was being monitored. The Committee also dedicated time to approving Deloitte LLP's plan for the 2023 external audit, and for the 2024 internal audit plan. A final focus for the Committee this year was our oversight of the ongoing external auditor tender process.

Since receiving a letter from the Polish financial supervision authority, KNF, in late February 2024, the Committee has provided oversight on this matter including disclosures in this Annual Report and Financial Statements. See page 30 for more information.

The year ahead

Although macroeconomic uncertainty continues to have a significant impact on the sector in which we operate, we will respond to the challenges and opportunities this brings. The Committee will continue to oversee the development of the Group's systems of risk management and internal control, and monitor developments in relation to the UK Government's internal control systems reforms. We will follow and respond to the new requirements and the resulting impacts on the Committee's annual cycle of work. We are well placed to discharge our duties in the year ahead.

Committee effectiveness

An effectiveness review of the Board and its Committees was undertaken internally at the end of 2023, which comprised a questionnaire completed by the Committee and its regular attendees together with an analysis of compliance with the Committee's Terms of Reference. Overall, the Committee concluded that it had operated effectively and that the Committee's Terms of Reference had been complied with throughout the year.

Feedback from this process indicated that the Committee's main areas of focus for 2024 should be on:

- ensuring the risks arising from credit are appropriately managed, including ensuring any judgements made on credit card receivables are appropriate;
- oversight of plans to address technology-related risks and plans to address new EU regulatory requirements such as DORA and CCD 2;
- ensuring an appropriate balance between reviewing risk frameworks and policies and reviewing specific risks; and
- enhancing the integration of risk management and strategic planning.

Progress against 2023 key objectives

- Regularly received and reviewed reports on regulatory developments.
- Continued to focus on the development and execution of the Group's ESG strategy.
- Kept under close review the Group's responses to developments in the macroeconomy and cost-of-living crisis.
- Continued to monitor the ongoing alignment of the Company's purpose, values, strategy and culture.
- Provided oversight to the audit tender process.

Key objectives for 2024

- Respond to the impact of changes resulting from the Audit Reform debate on assessments by the Committee of the effectiveness of the risk management and internal control systems.
- Receive and challenge as necessary regular reports on the continuing development of a three lines of defence model.
- Review progress on the development of a control framework for managing technology, change management and inherent information security risks for the Group.
- Continue to provide oversight to the audit tender process.

Composition, role and responsibilities

The Committee consists of independent non-executive directors and met six times during the year. Members and their attendance at meetings can be found on page 104.

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

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

The Committee ensures shareholders' interests are protected and long-term value is created. The Committee supports the Board in fulfilling its responsibilities in relation to financial reporting, monitoring the integrity of the Financial Statements and reviewing and challenging any significant financial reporting issues and judgements in relation to the Financial Statements. The Committee's responsibilities are explained fully in its Terms of Reference which are available on our website at www.ipfin.co.uk. The Committee works to a structured programme of activities and meetings to coincide with key events around our financial calendar. Its main responsibilities are to:

- monitor the Group's systems of internal control, including financial, operational and compliance controls and risk management systems, and to perform an annual review of their effectiveness;
- monitor the integrity of the Financial Statements of the Company and the formal announcements relating to the Company's financial performance, reviewing the significant financial reporting judgements contained in them;
- provide advice to the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- make recommendations to the Board, for the Board to put to shareholders in general meeting, relating to the appointment, reappointment and removal of the external auditor, and to approve its terms of appointment; review and monitor the objectivity and independence of the external auditor and the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- review and approve the internal audit programme for the year and monitor the effectiveness of the internal audit function in the delivery of its plan;
- keep under review the work of the Risk Advisory Group, in particular the Group schedule of key and emerging risks, and consider the principal and emerging risks stated on pages 78 to 83 facing the Group and their mitigation; and
- review and approve risk appetite proposals, together with the mechanisms that will be used for monitoring adherence to them.

Activities in 2023

Financial reporting

The Committee reviewed and considered the following areas in respect of the preparation of the half-year and full-year Financial Statements:

- the appropriateness of accounting policies used;
- compliance with external and internal financial reporting standards and policies;
- significant judgements made by management regarding areas of uncertainty;
- disclosures and presentations; and
- whether the Annual Report and Financial Statements is fair, balanced and understandable.

In carrying out this review, the Committee considered the work and recommendations of management, and received reports from the external auditor setting out its view on the accounting treatments and judgements underpinning the Financial Statements.

The significant accounting judgements considered by the Committee were:

- **Impairment of receivables:** the application of IFRS 9 to the issues arising from the impact of the rising costs of living had a significant impact on the impairment charge and the calculation of provisions. The key areas of judgement in respect of impairment provisions made against amounts receivable from customers are the parameters used in the expected loss models, the expected timing of future cash flows and post-model overlays. The expected loss models are driven by historical data in respect of probability of default and exposure at default, together with loss given default for each portfolio. At both the half-year and full-year results, the Committee considered a paper prepared by management summarising the work performed to update parameters used in the expected loss and the cash flow timing models, and the judgements applied in this process. This paper also addressed the use of post-model overlays in instances where the most recent trends in the data were felt to be more relevant than some of the more historical information. This was still relevant in 2023 due to the use of rising costs-of-living post-model overlays arising from a full assessment of expected repayment cash flows in order to calculate the expected impact of these issues on the Group's impairment provisions. Further detail on the post-model overlays considered is given in the key sources of estimation uncertainty section of this Annual Report on page 153. The external auditor performed audit procedures on impairment provisioning, challenging management on its approach to the Group's cost-of-living crisis provision and on its planned accounting treatment for the Group's new credit card product. The external auditor reported its findings to the Committee. The Committee concluded that the receivables impairment provisioning in the Financial Statements was appropriate.
- **Revenue recognition:** the judgement in respect of revenue recognition is the methodology used to calculate the effective interest rate. The calculation takes into account all the contractual terms together with the extent and timing of customer early settlement behaviour. The external auditor performed procedures to assess management's calculations and assumptions used to calculate the effective interest rate and reported its findings to the Committee. The Committee concluded that revenue recognition in the Financial Statements was appropriate.
- **Accounting for credit card receivables:** 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. At both the half-year and the full-year results, the Committee considered a paper produced by management summarising the approach taken to determine the most appropriate expected loss parameters for this portfolio, and the judgements applied in this process. Further detail on the credit card valuation methodology is given in the key sources of estimation uncertainty section of this Annual Report and Financial Statements on page 154. The external auditor performed audit procedures on the credit card receivables valuation and reported its findings to the Committee, who concluded that the credit card receivables valuation in the Financial Statements was appropriate
- **Taxation:** IPF operates in multiple jurisdictions where the taxation treatment of transactions is not always certain. Management is therefore required to make judgements, based on internal expertise and external advice, on the methodology to be adopted for accounting for uncertain tax positions. Key areas of focus in 2023 included justification of the Group's deferred tax asset. The external auditor performed procedures to assess management's judgement and reported its findings to the Committee. The Committee concluded that the provision for uncertain tax risks included in the Financial Statements was appropriate.
- **Regulation:** the business is subject to regulatory scrutiny in multiple jurisdictions and at times it is appropriate to make provisions for potentially adverse rulings by regulatory authorities. The Board was advised by the Chief Legal Officer in relation to any enquiry it had on this area.

Internal control and risk management

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

The Committee reviews and approves the Group schedule of key risks, which describes the principal risks and uncertainties facing the business. The Board considers the schedule formally on a six-monthly basis and approves risk appetite at least annually. The Committee is supported in its work by the Risk Advisory Group, which in 2023 comprised the Chief Executive Officer, Chief Financial Officer, Group Credit Director and Chief Legal Officer, together with other members of the senior leadership team. The Risk Advisory Group meets four times a year. It reports to the Audit and Risk Committee and considers the risk assessments and risk registers produced in each country and updates the Group schedule of key risks. It also considers emerging risks, areas of specific risk, and particular issues. For further details, see pages 78 to 83.

The Committee challenged robustly the identification, assessment and planned mitigation of the principal risks facing the business, notably in the light of the cost-of-living crisis.

The Committee also continued to pay close attention to the heightened information security and cyber risk of hybrid working and to the threat of fraud, given the changed working environment. The rapid rollout and uptake of Generative AI and its utilisation by those with malicious intent has increased the cyber threat, as well as the risk of inadvertent data loss from colleagues and customers using these new tools. A new AI Adoption Policy has been introduced and this will continue to be an area of focus for the Committee. The implications of the new Digital Operational Resiliency Act (DORA), which comes into full force in January 2025, is also being monitored closely.

Regulatory developments in 2023 were in three important areas. Firstly, market-specific regulatory changes driven by political environments. These included a lower total cost of credit cap and new affordability regulations which came into force in Poland in December 2022 and May 2023 respectively, following seven years of debate and discussion; changes in the areas of responsibility of the Romanian Consumer Protection Office and tightening of the price and affordability rules in the Baltics. There were also positive changes such as an opportunity to dedicate a part of tax paid to NGOs in Romania; and the abolition of the personal identification system in the Czech Republic.

Secondly, regulatory change was driven by high inflation and low economic growth environments, which took the form of increasing personal tax payments and minimum wages.

Finally, an increasingly important third area of regulatory change was emerging regulation from the European Union, including the conclusion of its review of the Consumer Credit Directive, and a series of changes in the areas of distance marketing of financial products, IT, business continuity and information security, sustainability reporting, and open banking. See pages 30 and 80 for more information on the Consumer Credit Directive.

To ensure we are prepared sufficiently for regulatory developments, we reviewed and refreshed the regulatory change management framework which governs our responses, from monitoring and appropriately influencing to implementation and compliance.

Additionally, the Committee received regular updates on key tax issues and ongoing tax audits within the Group, together with OECD and European Union international tax initiatives that could potentially impact the Group in the future. Details of the current status of tax audits are included in our principal risks and uncertainties on page 81.

The Committee will continue to assess the impact of these matters on the business and will monitor management's response throughout 2024.

The internal control environments in place to manage the impact of each risk are monitored by the Committee on a regular basis, as are the principal actions being taken to mitigate them. The Committee requests additional presentations on key business areas, as necessary, to supplement its understanding of control environments in place. The areas covered by these in 2023 are referred to in the 'Training' section on page 109.

Through the Committee, the internal audit function provides independent assurance to the Board on the effectiveness of the systems of internal control. The Committee provides oversight and direction to the internal audit plan, which is developed using an inherent risk-based approach, to ensure that it provides independent assurance over the integrity of internal controls and the operational governance framework. The Committee monitors the resolution of outstanding actions from internal audits, with a focus on action-owner accountability, and was pleased to note the solid rate of completed actions during the year. In addition, the external auditor communicates to the Committee any deficiencies in the internal control environment it observes as part of its audit procedures. Deloitte LLP, identified a number of IT deficiencies in the Company's control environment. Despite these deficiencies, the Committee remains confident that the overall control environment remains sufficiently robust.

Internal audit

The internal audit function's purpose, authority and responsibilities are defined in its Charter, which is reviewed and approved annually by the Committee. Internal audit is an independent assurance function within the Group providing services to the Committee and all levels of management. It has no responsibility for operational business management and its remit is to provide objective assurance over the design and operating effectiveness of the system of internal control, through a risk-based approach. It also provides insight, delivers value, and helps the organisation to achieve its priorities. The internal audit function does this by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The Head of Internal Audit reports into the Chair of the Committee with administrative oversight from the Chief Financial Officer.

The internal audit function comprises teams across our markets and at the Group head office in the UK, and has a high level of qualified personnel with a wide range of professional skills and experience. Co-sourcing agreements with the largest professional services firms ensure access to additional specialist skills and an advanced knowledge base.

The Committee has a permanent agenda item to cover internal audit-related topics. Prior to the start of each financial year, and at the half year, having considered the principal areas of risk within the business, the Committee reviews and approves an inherent risk-based internal audit plan, assesses the adequacy of the available internal audit resources and considers the team's operational initiatives for its continuous improvement.

The Committee reviews progress against the approved internal audit plan and the results of audit activities, with a focus on unsatisfactory audit results which require timely attention. During the year, the internal audit function focused on the Group's efforts to control its principal inherent risks which included regulation, reputation, information security and cyber threat, and the execution of projects and initiatives of strategic importance. The Committee monitors progress on the implementation of any action plans arising on significant audit findings to ensure they are completed satisfactorily.

Internal audit activities are based on a robust methodology and are subject to an ongoing programme of internal quality assurance reviews. The function has invested in several initiatives to continuously improve its effectiveness, including a third-party quality assessment which last reported in early 2019 and concluded positively on the effectiveness of the function. The aim is for a similar exercise to be undertaken in 2024. The team measures its operational effectiveness and efficiency via a set of key performance indicators which are reported at each meeting of the Committee, and via individual post-audit quality assessments by auditees, the results of which are also reported to the Committee.

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

External auditor effectiveness and independence

The Committee considered the external auditor's assessment of the significant risks in the Group's Financial Statements set out in its audit plan and approved the scope of the external audit that addressed these risks. The Committee considered these risks and the associated work undertaken by the external auditor when forming its judgement on the Financial statements.

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

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

The effectiveness of the external audit process continues to be evaluated via a questionnaire which was completed by the Committee members and attendees, and by business unit finance directors across the Group. The results of the evaluation were reviewed and considered by the Committee which concluded that with the timely resolution of an identified opportunity for improvement in one of the markets, the external audit process is effective.

In order to confirm its independence and objectivity, the external auditor issued a formal statement of independence to the Committee. In addition, the Committee ensured compliance with the Group's policy on the use of the external auditor for non-audit services.

The key requirements of this policy are:

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

The policy of the Committee in respect of non-audit services is that the external auditor is only appointed to perform a non-audit service when doing so would be consistent with both the requirements and overarching principles of the Financial Reporting Council's Revised Ethical Standard (2019), and when its skills and experience make it the most suitable supplier.

The Committee believes that the Group receives a particular benefit from certain non-audit services where a detailed knowledge of its operations is important or where the auditor has very specific skills and experience. Other large accountancy practices are also used to provide services where appropriate. Consequently the Committee is satisfied that Deloitte LLP were independent throughout 2023.

Non-audit services carried out by Deloitte LLP in 2023	Fee £000
Other assurance services	140

Audit tender and auditor rotation

The Statutory Auditors and Third Country Auditors Regulations 2016 requires public interest entities to undertake a tender exercise at least every 10 years and rotate auditors after at least 20 years. The Company last went out to tender in 2010 when Deloitte LLP was appointed as Group auditor. In 2020, however, the Group requested and received the approval of the Financial Reporting Council to defer the tender process for up to two years due to the challenges associated with the process in the context of Covid-19 and other competing priorities for management time arising from the pandemic. This deferral period ended, and therefore the Company was required to undertake a tender and audit rotation process for the 2023 financial year. The Company sought to run a tender process in 2022 and contacted nine firms to ascertain if they would participate. All firms contacted indicated that they did not wish to participate, due primarily to the volume of auditing activity they were undertaking for other clients or because of other non-audit activity they had undertaken for the Group. In January 2023, the Company notified the Financial Reporting Council and the Registrar of Companies of this position and its intention to run a tender process in 2023 for the 2024 financial year.

During 2023, a formal and competitive audit tender process was overseen by the Audit and Risk Committee, The objective of the process was to ensure a fair and transparent tender process and to appoint the audit firm that will provide the highest quality in the most effective and efficient manner. An invitation to tender was sent to a number of firms, following which two firms, Deloitte LLP and PKF Littlejohn LLP, elected to submit a proposal for providing audit services to the Group.

A selection committee, chaired by the Chair of the Audit and Risk Committee, was established to run the audit tender process and provide a recommendation to the Audit and Risk Committee. The firms were assessed against detailed criteria which considered audit approach, audit quality, capacity and capability, understanding of the Group and our market, independence and team and cultural fit. The process was as follows:

- management meetings were held between the firms and various members of Group management.
- formal tender proposal documents were issued in line with the requirements set out in the invitation to tender.
- both firms presented to the selection committee, followed by a meeting of the selection committee to discuss both tender proposals.
- follow-up questions were issued to both firms.
- formal responses on the follow-up questions were submitted by both firms.
- a final meeting of the selection committee was held to discuss the results of the tender process and conclude on which firm best met the detailed selection criteria.
- the selection committee submitted a proposal paper to the Audit and Risk Committee which was discussed and approved at the Committee meeting in February 2024.

Following this process, the Board agreed its intention to recommend to shareholders for approval at the Company's 2024 AGM the appointment of PKF Littlejohn LLP as external auditor of the statutory audits of the Company for the financial year ending 31 December 2024 and beyond.

Training

The Committee, with the Board, undertook a significant amount of training during 2023. This included presentations on the following key business areas:

- an update on licensing application progress in our Polish home credit market;
- a clarification of arrangements in the Group in respect of the three lines of defence model;
- an internal control update regarding the Group's whistleblowing arrangements;
- explanation of oversight arrangements in place in respect of bribery, compliance and privacy;
- an assessment of the level of technology, information security and change management risk to the Company was presented by the new Chief Information Officer;
- the management of climate change risk;
- a European regulatory update;
- a recap by the external auditor on Audit and Risk Committee responsibilities, focus areas and best practice; and
- calculation and oversight of revenue and impairment under IFRS 9 in the continuing uncertain economic environment.

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

Review of the effectiveness of the internal control and risk management systems

On behalf of the Board, with the assistance of the internal audit function, the Committee monitored the Group's internal control and risk management systems, and its processes for managing principal and emerging risks throughout 2023, and on the basis of the work performed by the management team throughout the year and reported to the Committee at each meeting, has assessed that these are effective. In addition, the Committee, where appropriate, ensures that necessary actions have been or are being taken to remedy identified failings or weaknesses in the internal control framework. These processes were in place throughout 2023 and up to 14 March 2024.

Annual Report and Financial Statements

The Committee has reviewed and considered the Annual Report and Financial Statements, in line with other information the Committee has considered throughout the course of the year. It concluded, and recommended to the Board, that the Annual Report and Financial Statements 2023, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Richard Holmes
Chair of the Committee

14 March 2024

Directors' Remuneration Report

Deborah Davis
Chair of the Remuneration Committee

"We place paramount importance on aligning executive remuneration with the Company's purpose and values, rewarding strong performance against a backdrop of external challenges and ensuring fair and competitive compensation structures across the organisation. I would like to thank our investors for their feedback and support in implementing our remuneration policy which is designed to underpin the long-term success of the business"

Committee members

Deborah Davis, Chair and independent non-executive director

Richard Holmes, Non-executive director

Stuart Sinclair, Chair of the Board

The table below shows the number of meetings held and the directors' attendance during 2023.

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

Notes

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

Dear shareholder,

On behalf of the Board and as Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023. The report explains how the Committee carried out its duties during the year and the rationale behind the decisions that were taken. The report is divided into three sections:

1. Remuneration at a glance, illustrating the link between the business strategy and our Remuneration Policy, and the link between pay and performance;
2. A summary of the Directors' Remuneration Policy (the 2023 Remuneration Policy), the full detail of which can be found on pages 100-109 of the 2022 Annual Report and Financial Statements; and
3. The 2023 Annual Remuneration Report, providing detail of amounts paid during the reporting year, including incentive outcomes and the planned implementation of the 2023 Remuneration Policy in 2024.

Overview

Role and composition

The Committee comprises two independent non-executive directors and the Chair of the Board. Full biographical details can be found on pages 86 and 87.

The Committee's responsibilities include:

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

The Committee's responsibilities are explained fully in its Terms of Reference which are available on our website at www.ipfin.co.uk.

Our Remuneration Framework is intended to strike an appropriate balance between fixed and variable pay components, and to provide a clear link between pay and our key strategic priorities. For example:

- profitable growth is recognised via the structure and operation of our annual bonus plan, which carries an 80% weighting on financial metrics;
- delivery of sustainable organisational performance and shareholder value is reflected in a progressive dividend policy, which underpins our Restricted Share Plan (see page 116); and
- our commitment to building a better world through financial inclusion is reflected in the adoption of appropriate ESG metrics in 2023, which align clearly to our purpose and reflect issues of direct importance to our key stakeholders, including our shareholders.

Progress in 2023

The Committee's principal goals for 2023, in addition to the effective implementation of the 2023 Remuneration Policy, were to:

- ensure the adoption of appropriate ESG metrics in the 2023 annual bonus;
- consult with our major shareholders on the 77.05% vote in favour of the 2022 Directors' Remuneration Report; and
- continue to monitor broader market and governance trends, paying particular attention to the ongoing cost-of-living challenges faced by our colleagues in all markets. See employee and customer representative context section for more details.

For 2023, a number of specific ESG targets were included in the executive directors' personal objectives under the purpose heading. These were weighted independently within the 20% strategic leadership element of the bonus construct. In respect of the 2024 annual bonus, the Committee will focus on refining those measures further and ensure consistency between the executive directors' bonus priorities in this area, and those of the senior management team below the Board.

At the Company's AGM on 27 April 2023, the Board and Remuneration Committee were pleased to note the strong support given by shareholders to the 2023 Remuneration Policy, with 99.33% of votes in favour. However, we recognise that with respect to the 2022 Directors' Remuneration Report (excluding the Directors' Remuneration Policy), 77.05% of votes were received in favour of Resolution 2, the advisory vote to approve the Directors' Remuneration Report. Therefore, and in accordance with the provisions of the UK Corporate Governance Code, the Company consulted further with shareholders on the vote, and published within six months of the AGM an update detailing the engagement that was undertaken. The Committee and the Board recognise that the use of upward discretion in respect of annual bonus outcomes will always raise concerns, and would emphasise that the decisions made by the Committee and the Board reflect the strong underlying performance of the Company in 2022. Having considered the feedback from shareholders and with the support of the majority, the Committee is satisfied that it acted in the best interests of the Company and all of its stakeholders. The Committee will maintain a regular dialogue with shareholders to ensure continued alignment with their interests and will continue to action the matters detailed in the Remuneration Policy approved at the 2023 AGM.

Business context

The Committee's remuneration decisions in 2023 were made within the context of the business delivering a very strong operational and financial performance which included:

- strong demand for our broad range of financial products;
- excellent operational execution delivering further growth and continued good credit quality;
- robust customer repayments and impairment rates in line with our expectations;
- significant progress made in executing our strategy to take advantage of substantial and sustainable long-term growth opportunities; and
- diversifying our funding position and generating significant headroom on facilities to fund growth.

Shareholder context

In line with the Group's progressive dividend policy, and as a consequence of the executive directors' successful execution of our growth strategy and continued growth potential, a full-year dividend of 10.3 pence per share is proposed, representing a year-on-year increase of 12%.

Employee and customer representative context

In making its executive remuneration decisions, the Committee continued to take into account wider workforce remuneration and related policies, and the alignment of incentives and rewards throughout the organisation. In line with Provision 41 of the UK Code, the Committee supported the Workforce Engagement Director to engage with a representative group of the workforce to explain how executive remuneration aligns with the wider company pay policy.

The significant cost-of-living challenges that we see in the UK have also been felt in many of our markets, with high inflation often coupled with skills shortages. Whilst it would be impossible and counter-productive economically to respond to a high consumer price index with equally high salary increases, the Committee has noted the proportionate action taken to protect earnings as far as possible and retain our people, whilst maintaining an appropriate cost base.

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

- continued building of our established learning academies, providing structured development pathways for the Group's 16,000 customer representatives;
- partnering with world class organisations, to build dedicated leadership development pathways for our sales leaders through our 'MyBusiness' programme;
- partnering with LinkedIn Learning, Pluralsight and Harvard Business School to provide best-in-class virtual development materials and experiences for colleagues throughout the Group;
- holding our third annual Learning Festival, a week-long global event which attracted over 11,500 participations to more than 100 sessions and hosted by 120 speakers (see page 52 for more information); and
- the outcomes of the bi-annual Global People Survey which were presented to the Committee as part of the wider workforce annual update. The Committee was pleased to see a participation rate of 95% of all colleagues with a very positive response rate as described on page 54.

Remuneration decisions made in 2023

As noted in the 2022 Directors' Remuneration Report, remuneration decisions included:

- a 5% increase in base salary was awarded to the Chief Executive Officer and Chief Financial Officer in line with the typical annual salary increase for the wider UK workforce and less than the planned wider workforce pay budget of 7%, with salaries increasing to £587,633 and £341,250 respectively.
- Financial year 2022 bonus awards of 98% of maximum for both the Chief Executive Officer and for the Chief Financial Officer (the explanation of which can be found on pages 111 to 114 of the 2022 Annual Report and Financial Statements).
- 2023 Restricted Share Plan awards of 80% of salary each for the Chief Executive Officer and Chief Financial Officer. These awards were in line with the normal level expected under the 2023 Policy and are set at half the normal level of the former LTIP.

Implementation of Remuneration Policy in 2024

The Committee approved:

- an increase in base salary of 4.5% each for the Chief Executive Officer and Chief Financial Officer, in line with the typical annual salary increase for the wider UK workforce and less than the planned wider workforce pay budget of 5.5%, with salaries increasing to £614,076 and £356,606 respectively.
- Financial year 2023 bonus awards of 100% of maximum for the Chief Executive Officer and 100% for the Chief Financial Officer within the context of the business delivering a strong operational and financial performance (see page 111), and each executive director performing exceptionally well against their personal objectives (see pages 120 and 121);
- legacy 2021 PSP awards that have vested at 100% reflecting strong TSR performance over the life of the scheme and maximum achievement on both EPS and net revenue growth.
- 2024 Restricted Share Plan awards of 80% of salary for each of the Chief Executive Officer and Chief Financial Officer.

Similar to last year, the Committee considered base salary increases in the context of the macroeconomic environment, including the impact of cost-of-living increases on our people. Base salary increases have been tailored in each market to address these issues; this has resulted in salary increases in most markets being above the 4.5% award made to each of the executive directors, and in particular, high increases to many of our lower-paid employees, who have been especially hard hit by economic circumstances. On that basis, the Committee is comfortable that the 4.5% awards made to our executive directors are fair and proportionate.

Other priorities in 2024

In addition to continuing to monitor broader market and governance trends, the priorities for the Committee will include:

- Prioritising the successful embedding of ESG considerations into remuneration.
- Ensuring appropriate focus on remuneration trends in each of our markets.
- Working to continue to enhance oversight of workforce-related policies and practices as part of the Group's broader purpose agenda.

As Chair of the Committee I have greatly appreciated the constructive feedback provided by shareholders throughout 2023, and am committed to maintaining this open dialogue with you. I look forward to reporting on further positive progress in 2024.

Deborah Davis
Chair of the Committee

14 March 2024

Remuneration at a glance

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

Our Next Gen strategy

For more information see page 20.

1. Financial inclusion
2. Organisation
3. Technology and data

Outcomes

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

Total business return for all our shareholders

Pay for performance

Profit before tax
£83.9m
+8.4%

Pre-exceptional earnings per share
23.2p
+11.5%

Group net receivables
£893m
-%

Remuneration outcomes

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

Our remuneration outcomes for 2023

	Chief Executive Officer	Chief Financial Officer
Base pay award	4.5%	4.5%
Bonus as % maximum	100%	100%
Restricted Share Plan awards	80%	80%
Legacy 2021 Performance Share Plan vested at	100%	N/A

Our 2023 Remuneration Policy at a glance

Our Remuneration Policy (2023–2028)	Links to strategy	Key features
Salary, pension and benefits	To attract and retain talent capable of delivering the Group's strategy.	Normally reviewed annually. Increases take into account salary reviews across the Group and increases paid to UK employees.
Annual bonus (Deferral of 50% to 25%; Malus on deferral; Clawback on cash)	To motivate and reward sustainable Group profit before tax and the achievement of specific personal objectives linked to the Company's strategy.	On-target performance delivers 50% of maximum. Maximum opportunity 130% of base. 50% cash and 50% deferred for three years until shareholding requirement met; thereafter 75% cash and 25% deferred. Typically, 80% based on financial measures and 20% on personal objectives, linked to strategy.
Long-term incentive plan (Vest period; Two-year post-vest holding; Clawback period)	To motivate and reward longer-term performance and support shareholder alignment through incentivising absolute shareholder value creation.	Award normally equivalent to 80% of base salary at time of grant (maximum 125%). Three-year performance period with the extent of any vesting subject to satisfaction of an underpin as determined by the Committee. Two-year post-vesting holding period. Two-year post-cessation shareholding requirement.

Directors' Remuneration Policy 2023

The 2023 Remuneration Policy is included on pages 100-109 of the 2022 Annual Report and Financial Statements. A copy of the Report can be found on our website in the Investors section at www.ipfin.co.uk together with all notes to the Policy. The 2023 Remuneration Policy was approved by shareholders at the 2023 AGM and took effect from 27 April 2023.

The Remuneration Policy table for the executive directors has been reproduced below:

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
Base salary To attract and retain talent capable of delivering the Group's strategy. Rewards executives for their performance in the role.	Base salary is paid in 12 equal monthly instalments during the year. Salaries are normally reviewed annually; generally, any changes are effective from 1 April. Salary levels are set considering role, experience, responsibility and performance, of both the individual and the Company, and also taking into account market conditions and the salaries for comparable roles in other companies.	Salary increases take into account salary reviews across the Group and are usually in line with increases awarded to UK employees. Additionally, due regard is given to any specific external factors or events relevant to the setting and review of executive salaries. By exception, higher awards may be made at the Committee's discretion to reflect individual circumstances. For example: – changes to role which increase scope and/or responsibility; – development and performance in the role; and – responding to competitive market pressures. There is no prescribed maximum increase.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.
Pension To provide retirement funding.	The Company operates a stakeholder scheme; at the discretion of the Committee, this may be paid as a cash allowance. The Company has closed its defined benefit scheme to new members and future accrual.	Company contribution is set at the most common rate for the wider workforce, currently 12%. Cash allowance is paid net of employer's NIC and other employment taxes.	None.
Benefits To provide market-competitive benefits that support the executive directors to undertake their role.	The Company pays the cost of providing the benefits on a monthly, annual or one-off basis. All benefits are non-pensionable.	The standard benefits package includes: – life assurance of 4x salary; – car allowance; – long-term disability cover; – private medical cover for executive director and immediate family; – annual medical; and – ability to participate in the IPF Save As You Earn Plan (SAYE) and any other all-employee share plans on the same terms as other employees. Additional benefits may also be provided in certain circumstances, and may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Committee.	None.

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

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
Restricted Share Plan (RSP) Awards are designed to incentivise executive directors to successfully and sustainably deliver the Company's strategy.	Annual grant of awards, made generally as conditional awards or options. Awards vest at the end of the three-year period subject to: – the executive directors' continued employment at the date of vesting; and – the satisfaction of an underpin as determined by the Committee, whereby the Committee can adjust vesting for Company or individual performance. Executive directors will be required to hold any shares acquired on vesting (net of any shares that may need to be sold to cover taxes) for a two-year period starting on the date of vesting. The RSP has provisions for malus and clawback adjustments on the occurrence of certain events. Awards granted under the RSP may incorporate the right to receive an amount (in cash or shares) equal to the dividends which would have been paid or payable on the shares that vest in the period up to vesting.	In normal circumstances, award levels for executive directors equivalent to 80% of base salary at the time of grant. Rules permit annual grants up to individual limit of 125%. There are no performance conditions on grant, however the Committee will consider prior year business and personal performance to determine whether the level of grant remains appropriate.	Central, quantifiable financial RSP underpin will be adherence to the Group's dividend policy throughout the three-year vesting period of each annual RSP grant. A further basket of underpin factors will be considered at the end of the relevant three-year vesting period. For 2024 awards, these will be as follows: 1. the extent to which any windfall gains have arisen as a result of any marked appreciation in share price; 2. whether there have been any material sanctions or fines issued by a regulatory body (which may give rise to allocation of individual or collective responsibility); 3. any material damage to the reputation of individual Group Companies, or the Group itself (which may give rise to allocation of individual or collective responsibility); 4. the level of employee and customer representative engagement over the vesting period; and 5. the level of customer engagement (as measured by net promoter scores, Rep Track or such other means as determined by the Committee).
Shareholding requirement Aligns executive and shareholder interests.	Executive directors expected to acquire a beneficial shareholding over time. Shares which have vested unconditionally under the Company's share plans will be taken into account with effect from the date of vesting (but not before). 50% of all share awards vesting under any of the Company's share incentive plans (net of exercise costs, income tax and social security contributions) must be retained until the shareholding requirement is met.	The shareholding requirement for executive directors is 200% of base salary.	None.
Post-cessation shareholding Aligns executive and shareholder interests.	Post-cessation shareholding policy is set at 1x the shareholding requirement (200%), or the number of shares actually held, at leaving, whichever is lower, for two years. Requirement applies to any shares held, including shares acquired from the executive director's own funds, and any vested shares subject to a holding period. The policy applies only to shares acquired after the date on which the 2020 Remuneration Policy was introduced (30 April 2020).	Not applicable.	Two-year post-cessation holding period.

Annual Directors' Remuneration Report 2023

Remuneration principles and alignment with strategy

As explained in the Chair's opening statement on page 110, our Remuneration Framework is intended to strike an appropriate balance between fixed and variable pay components, and to provide a clear link between pay and key strategic priorities. For example:

- profitable growth is recognised via the structure and operation of our annual bonus plan, which carries an 80% weighting on financial metrics;
- delivery of sustainable organisational performance and shareholder value is reflected in a progressive dividend policy, which underpins our Restricted Share Plan (see page 116), and has a three-year vesting period coupled with two-year post-vesting holding requirements; and
- our commitment to building a better world through financial inclusion is reflected in the adoption of appropriate ESG metrics in the 2023 annual bonus, and reflects issues of direct importance to our key stakeholders, including our shareholders.

Remuneration governance

The Committee met four times in 2023, with consideration given to a range of issues as illustrated below:

	Governance		Annual bonus		Share plan				
	Policy	Directors' Remuneration Report	Design	Performance	Grant	Performance	Salary	Wider Workforce	Shareholder
January		●					●		
February		●	●	●	●	●	●	●	●
April									●
December		●	●				●	●	

The Chief Executive Officer, Chief Human Resources Officer and Group Head of Reward attended meetings by invitation, to provide advice and respond to questions. Other members of management may attend by invitation. All such attendees are excluded when any matter concerning their own remuneration and performance is under discussion.

Advisor to the Committee

Willis Towers Watson, appointed in April 2016, provides independent remuneration advice to the Committee. During 2023, total fees in respect of advice to the Committee (based on time and materials) totalled £40,500 (excluding VAT), (2022: £48,071). Willis Towers Watson is a founding member of the Remuneration Consultants Group and is a signatory to, and abides by, the Remuneration Consultants Group Code of Conduct. Further details can be found at www.remunerationconsultantsgroup.com. The Committee is satisfied that the advice it receives is objective and independent, and that Willis Towers Watson does not have any connections with the Company or any of the directors that may impair its independence.

Service agreements for executive directors

Copies of the service agreements of the Executive Directors and the Letters of Appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours. All directors will retire at this year's AGM and submit themselves for re-election by shareholders at the AGM on 2 May 2024. Gerard Ryan and Gary Thompson have service agreements which provide for a notice period of 12 months and 6 months respectively. Non-executive Directors do not have service agreements as they have Letters of Appointment instead.

Executive director	Date of service agreement	Duration of service agreement
Gerald Ryan	January 2012	No fixed term
Gary Thompson	April 2022	No fixed term

Single figure of total remuneration (audited information)

The following table sets out the single figure of total remuneration for directors for the financial years 2022 and 2023.

	A. Salary/Fees £000		B. Benefits £000		C. Bonus[1] £000		D. LTIP £000		E. Pension £000		Total £000 (A, B, C, D, E)		Total fixed remuneration £000 (A, B, E)		Total variable remuneration £000 (C, D)	
	2023	2022	**2023**	2022	**2023**	2022	**2023[2]**	2022[3]	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Executive directors																
Gerard Ryan[4]	**581**	560	**53**	25	**755**	713	**967**	13	**61**	98	**2,417**	1,409	**695**	683	**1,722**	726
Gary Thompson[5]	**337**	242	**23**	15	**438**	309	**–**	–	**37**	18	**835**	584	**397**	275	**438**	309
Non-executive directors																
Stuart Sinclair	**200**	200	**–**	–	**–**	–	**–**	–	**–**	–	**200**	200	**200**	200	**–**	–
Deborah Davis[6]	**65**	65	**–**	–	**–**	–	**–**	–	**–**	–	**65**	65	**65**	65	**–**	–
Richard Holmes[7]	**88**	90	**–**	–	**–**	–	**–**	–	**–**	–	**88**	90	**88**	90	**–**	–
Katrina Cliffe[8]	**57**	23	**–**	–	**–**	–	**–**	–	**–**	–	**57**	23	**57**	23	**–**	–
Aileen Wallace[9]	**57**	–	**–**	–	**–**	–	**–**	–	**–**	–	**57**	–	**57**	–	**–**	–

1. Bonus payable in respect of the financial year including any deferral element at face value, at date of award.
2. The value of the awards included in the table for 2023 relates to the PSP award granted in 2021, the performance period for which is the three financial years ending 31 December 2023. The awards have been valued according to an estimate based on expected vesting and the 1-month average share price to 31 January 2024.
3. The value of the awards included in the table for 2022 has been reviewed to reflect the actual value of awards at date of vesting and any dividend equivalents received in 2023 when the awards became exercisable. Due to rounding, the revised value has not resulted in a change to the total for 2022.
4. In accordance with Company policy, the benefits for Gerard Ryan in 2023 include additional costs of £27,000 related to expenses associated with an extended period of business travel for which the Board agreed it was appropriate for his wife to accompany him. All costs associated with her travel were borne by the Company.
5. Amounts shown for 2022 reflect the fact that Gary Thompson joined the Company with effect from 4 April 2022.
6. Deborah Davis was paid a fee of £10,000 in her capacity as Chair of the Remuneration Committee, in addition to her base fee of £55,000.
7. Richard Holmes stood down as Senior Independent Director on 1 December 2023 and received pro rata fees of £18,000, in addition to fees of £15,000 in his capacity as Chair of the Audit and Risk Committee and his basic fee of £55,000.
8. Katrina Cliffe was appointed to the role of Senior Independent Director on 1 December 2023 and received pro rata fees in respect of the additional role, in addition to her base fee of £55,000.
9. Aileen Wallace was paid a base fee of £55,000, in addition to pro rata fees from December 2022 when she was appointed, as non-executive directors are paid in arrears, no payment was made during 2022.

Additional disclosures for the single figure of total remuneration

Base salary

The base salary of the Chief Executive Officer increased by 5% in 2023 to £587,633, in line with the typical annual salary increase of the wider UK workforce.

The base salary of the Chief Financial Officer increased by 5% in 2023 to £341,250, in line with the typical annual salary increase of the wider UK workforce.

Benefits

The benefits provided to the executive directors in 2023 included: private healthcare, life assurance, annual medical cover, long-term disability cover, and a cash allowance in lieu of a company car. Gerard Ryan's benefits in 2023 also include additional costs of £27,000 related to expenses associated with an extended period of business travel for which the Board agreed it was appropriate for his wife to accompany him. All costs associated with her travel were borne by the Company.

Determination of 2023 annual bonus

The maximum bonus opportunity for the Chief Executive Officer and Chief Financial Officer was 130% of salary, with 50% of the maximum for on-target performance. During 2023, a balanced scorecard approach was used to ascertain annual bonus outcomes whereby:

- 80% of total bonus opportunity was subject to achieving the profit before tax (PBT) element; and
- the remaining 20% of the bonus opportunity was subject to the achievement of personal objectives.

Qualifiers for the 2023 annual bonus were:

- for any bonus to be payable, the Group must first achieve the PBT threshold figure.

Group bonus targets

Group bonus targets were set considering the Company's operating budget. Targets were designed to be stretching in support of the Company's strategic objectives, and to focus on metrics and personal targets that would deliver in line with this strategy, as well as stretching and motivating participants. Bonus targets for the executive directors for 2023 were as follows:

	Metric	Weighting in Scheme	Threshold	Target	Stretch	Achievement	Bonus payment % of bonusable base salary
Financial[1]	Group PBT	80%	£75.6m	£78.4m	£83.9m	£83.9m	104%

1. Straight line between each point.

The Committee uses the annual bonus to focus on short-term targets that the Board agrees each year consistent with the Group's strategy and on individual performance against personal targets. Performance is assessed over each calendar year and at the start of the following year. The Committee retains the right to exercise its judgement to adjust the formulaic bonus outcomes, to ensure the final bonus outcome for executive directors reflects the broader performance of the Group and the experience of our employees and shareholders over the reported year.

In 2023, the Group delivered a strong financial performance, with profit before tax up 8.4% year on year to £83.9m. In addition to this improvement in profit before tax, each executive director performed exceptionally well against their personal objectives as summarised on pages 120 and 121. As a result the Committee did not apply any discretion to the formulaic bonus outcomes.

Personal objectives

The following tables explain the objectives that were set for each executive director in 2023 and achievement against them.

Gerard Ryan – Chief Executive Officer

Category	Objective	Weighting	Results	Achievement
Continue to embed our purpose within the Group	– Ensure inclusion is at the heart of our purpose. – Align our ESG aspirations to our purpose.	25%	– Building a better world through financial inclusion has become part of the fabric of our business and is evident in what we do on a day-to-day basis. – The Global People Survey results confirmed that purpose has been cascaded successfully throughout the organisation. – The Board approved our Responsible Business Framework and ESG strategy - including short-, medium- and long-term goals. ESG management information was established and produced quarterly enabling regular updates to the Board on ESG strategy progress. – We revised guidelines and standards across a range of key ESG issues including climate change, sustainability, human rights, anti-corruption, and modern slavery. – Purpose and ESG objectives have been created for all senior management in 2024.	●
Evolve the Group strategy	– Evolve the next iteration of the Group's strategy, ensuring it is clearly aligned to our purpose.	25%	– Our strategy has been articulated to reflect the Group's advancement to a more modern, multi-product, multi-channel and digitally enabled business. It is captured through our Next Gen strategy which sets out a clear plan to become the leading provider of financial services to underserved communities around the world. Our Next Gen strategy has been communicated to colleagues and is resonating well. – We have created an operating rhythm to track the progress of strategy delivery.	●
Develop better choices and experiences for our customers	– Focus on innovation to drive increased choice and improved experiences for our customers. – Execute the rollout of credit cards in Poland. – Develop a thriving retail partnership model.	25%	– Our Think Customer programme is established and driving product and service innovation. – The rollout of our Polish credit card has progressed very well and is proving to be very popular with customers. – Our retail partnerships model is now established, and we are providing access to finance for consumers at the point of sale in Romania and Mexico.	●
Develop our people and organisational capability	– Determine a new vision and strategy for IT and marketing. – Ensure that we have the required capability to take the business forward and that colleagues are fully engaged in our purpose and strategy.	25%	– New Group Chief Marketing Officer and Group Chief Information Officer recruited successfully, and delivering very positive impacts across the business. – A Group-wide IT strategy was approved by the Board and execution is underway – including strategic adoption of AI in value-adding areas. – Exceptional results from our Global People Survey demonstrate clear engagement from colleagues around our purpose and IPF being a great place to work.	●

Gary Thompson – Chief Financial Officer

Category	Objective	Weighting	Results	Achievement
Ensure that the business operates with strong financial discipline	– Ensure the long-term financial health of the Group through rigorous application of the financial model. – Diversify funding sources for the Group. – Maximise the value of the Group's strategic investments and demonstrate use of data in decision-making. – Ensure delivery of cost efficiencies in 2023.	25%	– Our financial model continues to be a central pillar of our operations and is considered in all investment decisions and budgets. All KPIs progressed towards our target ranges in 2023. – We successfully extended the Group's debt facilities in 2023 by £50m more than our original target and have significant headroom to fund growth. – We deployed a refreshed commercial approach to pricing that balances business performance, customer outcomes, competitiveness, and relevant regulations. – We improved our cost-income ratio by 3.9 ppts to 57%. – We delivered a tax rate of 38% for the year, down from 40%.	●
Develop a clear strategy for shareholder value creation	– Develop and embed a framework for linking business performance to the creation of shareholder value. – Enhance investor communication to attract new shareholders and retain existing major shareholders.	25%	– We developed and rolled out a robust capital expenditure framework to ensure that capital is deployed only when it meets minimum returns criteria. – We upgraded our approach to communication with investors, to enable a better understanding of the Group. – We have established one new entrant in our top ten shareholder register. – IPF was one of the top performing shares in the FTSE in 2023.	●
Continue to embed our purpose within the Group	– Continue to embed purpose into business interactions, decisions, and our internal and external dialogue. – Enhance ESG reporting and transparency in the Group's disclosures. – Ensure responsible and sustainable practices throughout the supply chain.	25%	– We enhanced reporting of ESG matters, including TCFD disclosures, and embedded ESG considerations into our investor communications. – We ensured the creation and delivery of our strategy for sustainable procurement and focus on combatting modern slavery, and we have ensured that supply chain practices reflect ethical requirements. – We created and obtained Board approval for our Responsible Business Framework including short-, medium- and long-term goals.	●
Develop our people and organisational capability	– Invest in our people, build a talented successor pipeline, and improve our finance function capability.	25%	– We upgraded the talent pipeline in the finance function through targeted acquisition, organisation design and internal development. – We developed a new operating rhythm around customer representative effectiveness to drive top and bottom-line performance. – We ensured the requisite budget was put in place to enable 500+ training programmes to be delivered to over 21,000 colleagues.	●

Having reviewed the executive directors' performance against their personal objectives, and in the context of the progress made by the Group in 2023, the Committee determined that each executive director met all of his objectives. Consequently, the bonus payout in respect of personal objectives is 26% for both the Chief Executive Officer and the Chief Financial Officer.

Key

- ● Criteria met
- ● Criteria partially met
- ● Criteria not met

Key

- ● Criteria met
- ● Criteria partially met
- ● Criteria not met

Bonus outcomes for 2023

For the year ending 31 December 2023, the Committee awarded bonuses to the executive directors as follows.

Name	Financial objectives – achievement as % of bonusable base salary	Personal objectives – achievement as % of bonusable base salary	Cash bonus £000	DSP – face value of shares due to vest in 2027 £000	Total value of 2023 annual bonus £000	Cash and DSP shares awarded as a % of maximum available bonus
Gerard Ryan[1]	104%	26%	£566.12	£188.70	£754.82	100%
Gary Thompson	104%	26%	£219.17	£219.17	£438.34	100%

1. Gerard Ryan has met the executive director shareholding requirement in 2023, therefore 25%, rather than 50%, of bonus is deferred in line with policy.

In accordance with the 2023 Policy, bonus is payable 50% in cash and up to 50% in deferred shares until the executive director has met the shareholding requirement of 200% of salary at which time 25% of the total bonus is deferred on the same basis. The deferred element will vest at the end of a three-year period, subject to the executive director not being dismissed for misconduct. There are also provisions for clawback with respect to the cash element of the bonus, and malus and clawback with respect to the deferred element of bonus.

Pension

The Company has two pension schemes, the International Personal Finance plc Pension Scheme (the pension scheme), closed to future accrual, and the International Personal Finance Workplace Pension Scheme (the WPP).

The Company contribution rate for the Chief Executive Officer and the Chief Financial Officer is 12% of base salary (10.5% net). These contribution rates are in line with the wider workforce. At the discretion of the Committee, this may be paid wholly, or in part, as a cash allowance, net of employer's NI contributions.

The Company's contributions in respect of Gerard Ryan during 2023 amounted to £61,245, all of which was paid as a cash allowance. The Company's contributions in respect of Gary Thompson during 2023 amounted to £36,869, of which £26,036 was paid as a cash allowance.

Long-term incentives

Awards estimated to vest during 2024 (included in 2023 single figure)

The LTIP amount included in the 2023 single figure table relates to the PSP awards granted in March 2021. The performance achieved against the performance targets is shown below:

PSP

Performance Condition	Weighting	Threshold	Maximum	Achieved	Projected vesting
Absolute TSR performance[1]	50%	30%	60%	116%	**100%**
Cumulative EPS growth	25%	45.1 pence	54.8 pence	59.0 pence	**100%**
Net revenue growth	25%	11.60%	14.10%	14.20%	**100%**
Total					**100%**

1. Based on TSR from 1 January 2021 and 31 December 2023.

Awards granted in 2023

Executive directors were granted long-term incentive plan awards structured as RSP conditional awards in May 2023, in line with the 2023 Remuneration Policy. The resulting number of RSP conditional awards and associated performance underpins are set out below.

Name	Number of RSP conditional awards	Face value[1] £	Percentage of base salary	End of performance period	Performance underpin
Gerard Ryan	481,338	£470,106	80%	31 December 2025	Adherence to the Group's dividend policy and a further basket of underpin factors for the relevant three-year vesting period (see page 116)
Gary Thompson	279,523	£273,000	80%	31 December 2025	Adherence to the Group's dividend policy and a further basket of underpin factors for the relevant three-year vesting period (see page 116)

1. The face value was calculated using the mid-market closing price for the day preceding the date of grant, being 98 pence per share.

DSP

In 2023, half the annual bonus award earned by the Chief Executive Officer and Chief Financial Officer in respect of 2022 was deferred into shares. There are no further performance conditions attached to the vesting of the deferred shares. The following table sets out details of awards of nil-cost options made in the year under the DSP:

	Date of award	Face value[1] £
Gerard Ryan	3 April 2023	£356,600
Gary Thompson	3 April 2023	£154,276

1. The face value was calculated using the mid-market closing price for the day preceding the date of grant, being 98 pence per share.

Save As You Earn (SAYE)

UK-based executive directors are entitled to participate in the Company's all-employee SAYE plan. The executive directors did not participate in the plan, therefore no options were granted to them under the plan in 2023.

Loss of office payments

No loss of office payments were made in 2023.

Payments to past directors

As previously disclosed in the 2021 Annual Report and Financial Statements, the Committee determined Justin Lockwood a good leaver at the time he ceased employment as Chief Financial Officer on 23 July 2021. Mr Lockwood's 2021 PSP award was subject to achievement of the performance targets outlined on page 122 and pro rated for time served during the performance period. As the performance targets were achieved in full, the pro rated number of shares vesting is 51,513. The shares will be subject to a two-year holding period.

Annual percentage change in the remuneration of directors and employees

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

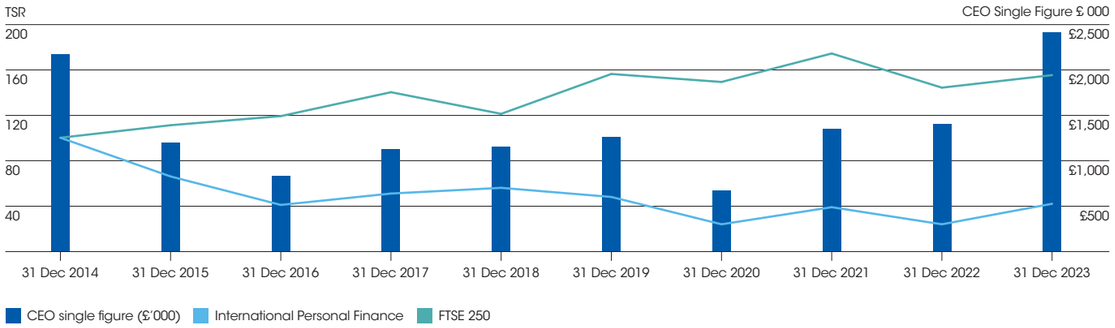
	2020 vs. 2019			2021 vs. 2020			2022 vs. 2021			2023 vs. 2022		
Percentage change in the relevant period	Base salary	Benefits[1]	Bonus[2]	Base salary	Benefits[1]	Bonus[2]	Base salary	Benefits[1]	Bonus[2]	Base salary	Benefits[1]	Bonus[2]
Executive directors												
Gerard Ryan[3]	1%	0%	-100%	0%	0%	100%	5%	-1%	5%	5%	110%	6%
Gary Thompson[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive directors												
Deborah Davis	0%	N/A	N/A	12%	N/A	N/A	5%	N/A	N/A	0%	N/A	N/A
Richard Holmes[5]	N/A	N/A	N/A	N/A	N/A	N/A	15%	N/A	N/A	-2%	N/A	N/A
Stuart Sinclair	N/A	N/A	N/A	N/A	N/A	N/A	0%	N/A	N/A	0%	N/A	N/A
Katrina Cliffe[6]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Aileen Wallace[7]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employees	1%	3%	-100%	-2%	-2%	100%	15%	3%	1%	8%	0%	-16%

1. Non-executive directors are ineligible for any benefits.
2. Non-executive directors are ineligible for any bonus.
3. Gerard Ryan's benefits in 2023 include additional costs of £27,000 related to expenses associated with an extended period of business travel for which the Board agreed it was appropriate for his wife to accompany him. All costs associated with her travel were borne by the Company.
4. Gary Thompson joined in April 2022 and received pro rata salary benefits and bonus in that year; therefore the percentage change is not reflective of a normal year-on-year comparison.
5. Richard Holmes stood down from the role of Senior Independent Director on 1 December 2023 and received pro rata fees for the year in respect of that role. As such, the percentage change is not reflective of a normal year-on-year comparison.
6. Katrina Cliffe was appointed to the Board with effect from 1 August 2022, receiving pro rata fees in 2022, and was subsequently appointed to Senior Independent Director from 1 December 2023. As such, the percentage change is not reflective of a normal year-on-year comparison.
7. Aileen Wallace was appointed to the Board on 20 December 2022 but received no payment in 2022. As such, the percentage change is not reflective of a normal year-on-year comparison.

TSR performance

The graph below compares the TSR of the Company with the companies comprising the FTSE 250 Index for the 10-year period ended 31 December 2023. This index was chosen for comparison because it is the index in which IPF was listed originally, and to which it continues to compare itself. TSR data is presented in tandem with Chief Executive Officer single figure total remuneration for the same period to highlight the relationship between remuneration and shareholder returns.

TSR performance vs Chief Executive Officer single figure of total remuneration



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

Year	Chief Executive Officer	Chief Executive Officer single figure of remuneration £000	Annual bonus payout (as % of maximum opportunity)	LTIP vesting (as % of maximum opportunity)
2023	Gerard Ryan	2,417	100.0%	100.0%
2022	Gerard Ryan	1,409	98.0%	–
2021	Gerard Ryan	1,353	98.3%	–
2020	Gerard Ryan	677	–	–
2019	Gerard Ryan	1,260	72.3%	33.0%
2018	Gerard Ryan	1,158	98.0%	–
2017	Gerard Ryan	1,130	96.6%	–
2016	Gerard Ryan	838	16.0%	23.3%
2015	Gerard Ryan	1,197	45.0%	58.8%
2014	Gerard Ryan	2,172	74.2%	100.0%

Relative spend on pay

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

	2023 £m	2022 £m	Percentage change
Overall expenditure on pay	198.4	168.4	18%[1]
Dividend paid in the year	21.5	18.9	14%

1. The percentage change at a constant exchange rate is 12.7%.

Other directorships

Neither executive director currently holds any external directorships or external appointments.

Directors' shareholdings and share interests (audited information)

The interests of each person who has served as a director of the Company during the year as at 31 December 2023 (together with interests held by his or her persons closely associated) are shown in the table below. Katrina Cliffe and Aileen Wallace are currently within the three-year period to build their shareholding. Stuart Sinclair, however, has served the Company for more than three years and his shareholding is therefore currently below the required quantum. This will be rectified as soon as practicable. Executive directors are required to retain half of any vested Company share plan options until the shareholding requirement is met.

	Shares held	Executive directors' interests in Company share plans							
	Owned outright	Unvested and subject to performance conditions	Unvested and subject to deferral only	Unvested and subject to continued employment	Vested but not yet exercisable and subject to continued employment	Vested and exercisable, but not yet exercised	Shareholding required (% salary/fee)	Shareholding (% salary/fee)[1]	Requirement met
Executive directors[2]									
Gerard Ryan	1,549,411	2,470,387	741,579	–	–	–	200	314	Y
Gary Thompson	150,000	662,628	157,425	24,000	–	–	200	52	N
Non-executive directors[3]									
Katrina Cliffe	40,000	–	–	–	–	–	100	63	N
Deborah Davis	60,000	–	–	–	–	–	100	110	Y
Richard Holmes	275,133	–	–	–	–	–	100	468	Y
Stuart Sinclair	86,944	–	–	–	–	–	100	52	N
Aileen Wallace	21,443	–	–	–	–	–	100	46	N

1. Based on a share price of 119 pence, being the closing price on 29 December 2023 and using the non-executive directors' base fee. Any vested but unexercised shares are included in the shareholding requirement calculation net of tax and national insurance.
2. Executive directors are expected to acquire a beneficial shareholding over time, with 50% of all share awards vesting to be retained until the requirement is met. Of the 1.5 million shares held by Gerard Ryan, 0.9 million were purchased outright by him using his own funds.
3. Non-executive directors are expected to acquire a beneficial shareholding equivalent to 100% of their director fee within three years of appointment.

There were no changes to these interests between 31 December 2023 and 14 March 2024, with the exception of Stuart Sinclair who purchased 21,553 shares on 1 February 2024, and an additional 21,553 shares on 2 February 2024. Following these purchases, Stuart's total shareholding in the Company was 130,050 shares.

No director has notified the Company of an interest in any other shares, transactions or arrangements which requires disclosure.

The current shareholding requirements for executive and non–executive directors are described in the 2023 Remuneration Policy which can be found on pages 100 to 109 of the 2022 Annual Report and Financial Statements, available in the Investor section of the Company website at www.ipfin.co.uk.

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

	Date of award	Awards held at 31 December 2022	Awarded in 2023	Exercised in 2023	Lapsed / Surrendered in 2023	**Awards held at 31 December 2023**	Performance condition period	Market price at date of grant (p)	Exercise price (p)	Exercise period
Gerard Ryan										
PSP	23 Mar 21	810,185	–	–	–	**810,185**	01 Jan 2021 – 31 Dec 2023	104	–	23 Mar 2024 – 22 Mar 2031
	10 Mar 22	1,178,864	–	–	–	**1,178,864**	01 Jan 2022 – 31 Dec 2024	97	–	10 Mar 2025 – 9 May 2032
RSP	10 May 23	–	481,338	–	–	**481,338**	01 Jan 2023 – 31 Dec 2025	99	–	10 May 2026 – 09 May 2033
Deferred	28 Feb 20	119,608	–	(119,608)	–	–	–	146	1.1	–
Deferred	10 Mar 22	377,701	–	–	–	**377,701**	–	97	–	–
Deferred	3 Apr 23	–	363,878	–	–	**363,878**	–	103	–	–
SAYE	30 Aug 19	20,930	–	(20,930)	–	–	–	–	86	1 Nov 2022 – 31 May 2023
Total		**2,507,288**	**845,216**	**(140,538)**	–	**3,211,966**				

	Date of award	Awards held at 31 December 2022	Awarded in 2023	Exercised in 2023	Lapsed / Surrendered in 2023	**Awards held at 31 December 2023**	Performance condition period	Market price at date of grant (p)	Exercise price (p)	Exercise period
Gary Thompson										
PSP	05 Apr 22	383,105	–	–	–	383,105	01 Jan 2022 – 31 Dec 2024	106	–	05 Apr 2025 – 04 Apr 2032
RSP	10 May 23	–	279,523	–	–	279,523	01 Jan 2023 – 31 Dec 2025	99	–	10 May 2026 – 09 May 2033
Deferred	03 Apr 23	–	157,425	–	–	157,425	–	103	–	–
SAYE	26 Aug 22	24,000	–	–	–	24,000	–	–	75	01 Nov 2025 – 31 May 2026
Total		**407,105**	**436,948**	**–**	**–**	**844,053**				

Share dilution

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

Shareholder voting

The table below summarises the total voting outcomes at the 2023 AGM, including the percentage of total votes cast and number of votes withheld:

AGM		Votes for		Votes against		Withheld[1]
2023	Annual Remuneration Report	143,779,893	77.05%	42,827,128	22.95%	247,993
2023	Directors' Remuneration Policy	185,597,585	99.33%	1,246,936	0.67%	10,493

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

Statement of Remuneration Policy implementation for 2024

The base salary for the Chief Executive Officer will increase by 4.5% to £614,076.

The base salary for the Chief Financial Officer will increase by 4.5% to £356,606.

Maximum bonus opportunity will be 130% of base salary (on target 50% of maximum), in line with the 2023 Policy, with performance measures weighted 80% financial and strategic and 20% personal, also in line with the 2023 Policy. Annual bonus targets are not disclosed on a forward–looking basis because they are considered by the Board to be commercially sensitive but will continue to be disclosed retrospectively to ensure transparency.

The Committee expects to make 2024 RSP awards prior to the 2024 AGM in accordance with the 2023 Remuneration Policy; awards will be at 80% of base salary for the Chief Executive Officer and 80% for the Chief Financial Officer, in line with the 2023 Remuneration Policy.

The central, quantifiable financial underpin for 2024 RSP awards will be adherence to IPF's dividend policy throughout the vesting period of the RSP grant. To ensure a robust assessment, the Committee will consider a further basket of underpin factors at the end of the three-year vesting period, as follows:

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

Approved by the Board

Deborah Davis
Chair of the Committee

14 March 2024

Statutory information

The Directors' Report for the year ended 31 December 2023 comprises pages 84 to 130 of this report, together with the sections of the Annual Report incorporated by reference.

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

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

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

- An indication of likely future development in the business of the Company (see pages 1 to 83).
- The financial position of the Group (see pages 39 to 41).
- Greenhouse gas emissions (see pages 65 to 66).
- Employee engagement and involvement (see page 96 and 42).
- Engagement with suppliers, customers and others in a business relationship with the Company (see pages 42 to 43).
- A summary of the principal risks facing the Company (see pages 78 to 83).
- The S172(1) statement (see pages 44).
- Information on Political Donations (see page 64).

Disclosures required under Listing Rule 9.8.4R can be found on the following pages:

Listing Rule	Topic	Page
Sub-para (1)	Interest capitalised	Not applicable
Sub-para (2)	Publication of unaudited financial information	Not applicable
Sub-para (4)	Details of long-term incentive schemes	Not applicable
Sub-para (5) and (6)	Waiver of emoluments and future emoluments by a director	Not applicable.
Sub-para (7) and (8)	Non pre-emptive issues of equity for cash	Not applicable.
Sub-para (9)	Parent participation in a placing by a listed subsidiary	Not applicable.
Sub-para (10)	Contracts of significance	Not applicable.
Sub-para (11)	Provision of services by a controlling shareholder	Not applicable.
Sub-para (12)	Shareholder waiver of dividends and future dividends	Statutory information, page 129
Sub-para (14)	Agreements with controlling shareholders	Not applicable.

Articles of Association (Articles)

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

At the 2024 annual general meeting ("AGM"), we will propose to shareholders to amend the current Articles. The Articles have not been updated since 2014 and to ensure that they continue to reflect current and best practice a number of amendments are being proposed to shareholders. Further details on the proposed amendments can be found in the separate notice of meeting.

Appointment and replacement of directors

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

The Articles provide that, at every annual general meeting, the following directors must retire: (i) any director appointed by the Board since the Company's previous annual general meeting; (ii) any director who has held office at the time of the Company's two preceding annual general meetings and who did not retire at either of them; and (iii) any director who has held office with the Company (other than employment or executive office) for a continuous period of nine years or more at the date of the meeting.

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

Commitment

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

As part of our annual review of responsibilities, the Nominations and Governance Committee considered the time non-executive directors are required to give to their roles. The Committee was satisfied that each director continues to contribute the time required to fulfil their duties to the Company and its shareholders. Based upon the evaluation of the Board, its Committees and the continued effective performance of individual directors, the Nominations and Governance Committee reported to the Board that, in the Committee's view, each of the individuals putting themselves forward for re-election met the required standard for their appointment to be recommended at the 2024 AGM.

In line with the Code, non-executive directors are required to seek Board approval prior to taking on any additional appointments following recommendation from the Nominations and Governance Committee. Further details on additional appointments can be found on page 101. In reviewing such appointments the Committee reviews the total time commitment which an additional time commitment would create and whether the proposed appointment would create conflict of interest.

Development

The Board recognises the importance of ongoing training for the directors. As well as a dedicated annual Board training session, all directors are given the opportunity to update their skills and knowledge on a regular basis and new directors are provided with a tailored induction programme. See page 99 for a case study of Aileen Wallace's induction. The non-executive directors also undertake to keep themselves briefed and informed about current issues and to deepen their understanding of the business. Any individual development needs are discussed with the directors on an ad-hoc basis and at their annual performance evaluation. Board training received during the year included:

- an overview of the product innovation roadmap in the context of external developments;
- an overview of the mobile wallet product in IPF Digital;
- an overview of purchase finance, lending process automation and digital marketing in IPF Digital; and
- an explanation of political and regulatory developments in the markets in which the Group operates.

The Board visited Warsaw in Poland for its October Board meeting, which included visiting a branch and attending customer visits. Further detail on Board training can be found on page 109.

All directors are able to consult with the Company Secretary, who also updates the Board on corporate governance developments. The appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary acts as Secretary to the Board and its Committees. Any director may take independent professional advice at the Company's expense relating to the performance of their duties in line with the access to independent advice policy overseen by the Nominations and Governance Committee.

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

Effectiveness review

Towards the end of 2023, an effectiveness assessment of the performance of the Board, its Committees and the directors was carried out. The Board directors and Committee attendees completed a questionnaire, the results of which were collated, reviewed and presented for discussion at the January 2024 Board meeting. An analysis of compliance with the Matters Reserved to the Board and Terms of Reference was also completed as part of the effectiveness review. Further details on the board effectiveness review process and the principal outcomes of the review can be found in the Nominations and Governance Committee report on page 102.

Election or re-election of directors

All directors are subject to election or re-election at the AGM, in accordance with the Code. All directors will seek re-election at our AGM on 2 May 2024. Details of the directors can be found on pages 86 and 87.

Shares in issue

As at 31 December 2023, the issued share capital was 234,244,437 ordinary shares of 10 pence each of which 10,094,838 are held as treasury shares for the purpose of satisfying options under the Group's share option plans. Details of share capital are shown in note 29 to the Financial Statements.

Share class rights

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

Restrictions on shareholders' rights

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

Restrictions on transfer of shares and limitations on holdings

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

Interest in voting rights

As at 31 December 2023, we had been notified, pursuant to DTR 5.1.2, of the following interests in voting rights in our issued share capital. The information provided below was correct at the date of notification; however, the date of receipt may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified. A notification of any change is not required until the next notifiable threshold is crossed.

Name	Date notified	% of issued share capital[1]
Aberforth Partners LLP	21/12/2023	13.61
abrdn (Standard Life)/ Standard Life Aberdeen plc	17/11/2023	10.00
Marathon Asset Management LLP	23/08/2021	8.41
Schroder Investment Mgt/ Schroders plc	08/09/2022	7.36
Pendal Group Limited	27/02/2022	6.20
FMR LLC	10/01/2018	5.28
Janus Henderson Group plc	24/03/2023	5.20
Artemis Investment Management LLP	12/10/2021	5.04
Old Mutual Asset Managers (UK) LTD	12/04/2010	4.88
Blackrock, Inc.	16/07/2009	4.54
BNP Paribas Investment Partners	08/07/2015	3.02
Mr Hendrik Marius van Heyst	09/11/2020	3.02
Oppenheimer Funds Inc/Baring Asset Management Limited	20/06/2009	2.02

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

There have been no further notifications since the year end.

Voting rights

There are no restrictions on voting rights except as set out in the Articles. Electronic and paper proxy appointments, and voting instructions must be received by the Company's registrar not less than 48 hours before a general meeting (or such shorter time as the Board may determine) and the Board may exclude non-working days in its calculation. The Company is not permitted to exercise any right in respect of treasury shares, including any right to attend or vote at meetings.

Variation of rights

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

Authority to purchase own shares

At the 2023 AGM, we received shareholder authority to buy back up to 22,274,916 of the Company's shares until the earlier of the conclusion of the 2024 AGM or 28 June 2024. Shares purchased can be cancelled or held in treasury. This authority was not exercised in 2023. A further authority to purchase our own shares will be sought at the 2024 AGM.

Authority to issue shares

At the 2023 AGM, an ordinary resolution was passed authorising the directors to issue new shares up to an aggregate nominal amount of £7,424,972, representing approximately one-third of the issued share capital of the Company (excluding treasury shares) and allot further new shares in the case of a rights issue only up to an aggregate nominal amount of £7,424,972 representing approximately a further one-third of the issued share capital. Further special resolutions were passed to effect a disapplication of pre-emption rights in certain circumstances.

Resolutions to renew these authorities will be proposed at the 2024 AGM. Further details can be found in the separate notice of meeting.

Directors

Details of all persons who were directors of the Company at any time during the financial year can be found on pages 86 to 87.

Indemnities

Our Articles permit us to indemnify our directors (or those of any associated company) in accordance with the Act. However, no qualifying indemnity provisions were in force in 2023 or at any time up to the date of this report. We have appropriate directors' and officers' liability insurance and this was in force when the Directors' Report was approved.

Directors' conflicts of interest

To take account of the Act, the directors adopted a policy on conflicts of interest and established a register of conflicts. The directors consider that these procedures have operated effectively in 2023 and up to the date of this report.

Powers and proceedings of directors

The directors are responsible for the management of the Company and may exercise all the powers of the Company, subject to the provisions of the relevant statutes and the Articles. The Articles contain specific provisions and restrictions regarding the following: the Company's powers to borrow money; provisions relating to the appointment of directors (subject to subsequent shareholder approval); and delegation of powers to a director or Committees. They also provide that, subject to certain exceptions, a director shall not vote on or be counted in a quorum in relation to any resolution of the Board in respect of any contract in which they have an interest which they know is material.

Agreements on change of control

We do not have any agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover.

We are not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid, apart from:

- our bank facility agreements, which provide for a negotiation period following a change of control and the ability of a lender to cancel its commitment and for outstanding amounts to become due and payable;
- our Euro Medium Term Note[1] programme, which entitles any holder of a note to require us to redeem such holder's notes if there is a change of control[2] and, following such change of control, the notes are downgraded; and
- provisions in our equity share incentive plans may cause awards granted to directors and employees to vest on a takeover.

1. The Euro Medium Term Note programme was established in 2010. The following notes (listed on the London, Euronext Dublin or Nasdaq Stockholm stock exchanges) have been issued under the programme and are outstanding as at the date of this report: €341.2m with a 2025 maturity and a 9.75% coupon; £80m with a 2027 maturity and a 12.00% coupon; SEK450m Swedish krona bond with a 2024 maturity and a coupon of three-month STIBOR plus a margin of 7.00%; PLN72m with a 2026 maturity and a coupon of six-month WIBOR plus a margin of 8.50%; and €11.6m with a 2026 maturity and a 11.50% coupon.
2. This provision is not applicable to the €11.6m notes with a 2026 maturity and a 11.50% coupon.

Related party transactions

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

Financial instruments

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

Dividends

A final dividend of 7.2 pence per share has been proposed bringing the full year dividend to 10.3 pence per share. Subject to approval by shareholders at the 2024 AGM, the final dividend will be payable on 10 May 2024 to shareholders on the register of members on 12 April 2024. The deadline to elect for the Dividend Reinvestment Plan (DRIP) is 19 April 2024.

Branches

The Company has a UK branch (registered number: BR021979) of its Irish subsidiary, IPF Management Unlimited Company (registered number: FC036891). Further information on the Company's subsidiaries can be found in note 13.

Employee benefit trust

We operate a Jersey resident employee benefit trust with an independent trustee, Apex Financial Services (Trust Company) Limited, to hold shares on behalf of employees pending entitlement to them under our equity share incentive plans. All withdrawals from the trust to UK resident employees are subject to employee income tax and social security on vesting. As at 31 December 2023, the trustees held 114,994 shares in International Personal Finance plc. The trust waives its dividend entitlement and abstains from voting at general meetings. Any shares to be acquired through our share plans do not have special rights and rank pari passu with the shares already in issue.

Employee equity incentive plans

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

Awards granted to the executive directors in 2023 are set out in the Directors' Remuneration Report on page 125 to 126.

Plan	Abbreviated name	Eligible participants
The IPF Deferred Share Plan	DSP	Executive directors and senior managers
The International Personal Finance plc Approved Company Share Option Plan	CSOP	Executive directors and senior managers
The IPF Performance Share Plan	PSP	Executive directors and senior managers
The IPF Save As You Earn Plan	SAYE	Executive directors and UK employees
The International Personal Finance plc Discretionary Award Plan	DAP	Employees other than executive directors
The International Personal Finance plc Restricted Share Plan	RSP	Executive directors and senior managers

Details of outstanding awards are included in note 28 to the Financial Statements.

External oversight

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

Our other operations in Europe and Australia are subject to certain licensing provisions or supervision by a financial authority as detailed below.

European home credit

Czech Republic – operates under the supervision of the Czech National Bank and subject to an operating licence issued by the Czech National Bank.

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

Poland – (i) as a loan institution: registered in the special registry of the Komisja Nadzoru Finansowego (KNF), the Polish Financial Supervision Authority, and operating under the supervision of this body; and (ii) as a payment institution: licensed and registered in the Small Payment Institutions Register of the KNF.

Romania - (i) as a non-banking financial institution: holding a lending licence and registered in the Special Registry of Credit Providers maintained and subject to supervision by the National Bank of Romania; and (ii) as an insurance intermediary: overseen by the Romanian Financial Supervisory Authority.

IPF Digital

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

Estonia – holds an e-money licence and creditor licence issued by the Estonian Financial Supervision Authority.

Finland – in a register of credit providers maintained by the Finnish Financial Supervision Authority.

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

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

Poland – registered in the special register of Loan Institutions maintained by the KNF, and supervised in relation to loans by the KNF; registered in the Payment Institutions register kept and supervised of the KNF.

Budgetary process and financial reporting

The Board approves annually a detailed budget for the year ahead. Actual performance against budget is monitored regularly and reported monthly for review by the Board. The Board requires the Group's subsidiaries to operate in accordance with corporate policies.

The Financial Statements for the Group are prepared by aggregating submissions from each statutory entity. Prior to submission to the Group finance reporting team, each country submission is reviewed and approved by the finance director of the relevant business. When the submissions have been aggregated and consolidation adjustments made to remove inter-company transactions, the consolidated result is reviewed by the Group Financial Controller and the Chief Financial Officer. The results are compared with the budget and prior year figures, and any significant variances are explained. Checklists are completed by each statutory entity and by the Group finance reporting team to confirm that all required controls, such as key reconciliations, have been performed and reviewed.

The Financial Statements, which are agreed directly to the consolidation of the Group results, are prepared by the Group finance reporting team and reviewed by the Group Financial Controller and the Chief Financial Officer. The supporting notes to the Financial Statements are prepared by aggregating submission templates from each market and combining them with central information where applicable. The Financial Statements and all supporting notes are reviewed, approved and signed by the Chief Financial Officer. For further details on our risk and internal control processes, see page 107.

Research and development activities

In accordance with The Accounts Regulations (Sch 7, para 7(1)(c)) and DTR 4.1.11 the Company undertakes certain research and development activities, including strategic planning, new geographic markets and M&A activity, product development and competitor analysis and IT development.

Directors' responsibilities

Annual Report and Financial Statements

International Personal Finance plc presents its Annual Report and Financial Statements and its consolidated Annual Report and Financial Statements as a single Annual Report.

Directors' responsibilities in relation to the Financial Statements

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the Group Financial Statements in accordance with United Kingdom adopted International Accounting Standards (UKIAS) and Article 4 of the International Accounting Standard (IAS) Regulation and have also chosen to prepare the Parent Company Financial Statements under UKIASs. Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these Financial Statements, IAS 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UKIASs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post-balance sheet events and future developments

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

Responsibility statement under the Disclosure and Transparency Rules

Each of the persons who is a director at the date of approval of this report (and whose name and function is set out on pages 86 and 87 confirms to the best of his/her knowledge that:

- the Financial Statements, prepared in accordance with UKIASs, give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and Directors' Report contained in this report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Report review process for the Annual Report

The Board came to this view following a rigorous review process throughout the production schedule. The statements are drafted by appropriate members of the reporting and leadership teams and co-ordinated by the Investor Relations Manager to ensure consistency. A series of planned reviews is undertaken by the reporting team, leadership team and executive directors. In advance of final consideration by the Board, they are reviewed by the Audit and Risk Committee.

Disclosure of information to the auditor

In the case of each person who is a director at the date of this report, it is confirmed that, so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and he/she has taken all the steps that ought to have been taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern and viability statement

The Board statement on its adoption of the going concern basis in preparing these Financial Statements and the viability statement concerning the assessment of the Company's long-term prospects are given on pages 41 and 83.

The Board's review of the system of internal control

The Board is responsible for the Group's overall approach to risk management and internal control and, on the advice of the Audit and Risk Committee, has reviewed the Group's risk management and internal controls systems for the period 1 January 2023 to the date of this Annual Report and Financial Statements, and is satisfied that they are effective.

By order of the Board

Tom Crane
Company Secretary

14 March 2024

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

Report on the audit of the Financial Statements

1. Opinion

In our opinion:

- the Financial Statements of International Personal Finance plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 4 to the Financial Statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Revenue recognition; – Impairment of receivables; and – Legal and regulatory matters. Within this report, key audit matters are identified as follows: Similar level of risk Newly identified
Materiality	The materiality that we used for the Group Financial Statements was £5.7 million which was determined on the basis of 1.1% of net assets.
Scoping	We focused our Group audit primarily on the key components based in seven locations, five of which were subject to a full audit, with the remaining two subject to testing of specified account balances.
Significant changes in our approach	In the prior year, we performed full scope audits of the Group's UK components. In the current year, we reassessed their significance at the Group-level and performed testing of specified account balances that were material. Further details are included in section 7.1 of our report. In the prior year, we placed reliance on the relevant controls in place over the revenue recognition, customer lending and model impairment processes. In the current year, we did not place reliance on these controls and our audit was therefore fully substantive. Further details are included in section 7.2 of our report. In response to changes in the Group's legal and regulatory environments in 2023, which impact the judgments made by management when preparing the financial statements, we identified an additional key audit matter over 'legal and regulatory matters' in the current year. Further details are included in section 5.3 of our report. There have been no other significant changes in our audit approach from the prior year.

4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the relevant controls performed at the Group level in relation to the going concern and forecasting processes;
- assessing the availability and terms of the Group's current and forecast financing arrangements, evaluating whether management's forecasts could result in a breach of banking covenants in the future;
- testing the mechanical accuracy of management's future forecasts, and evaluating the reasonableness of assumptions made with reference to our understanding of the Group's performance in prior periods, and how changes in its legal, regulatory and economic environments are expected to impact its material components;
- assessing the adequacy and completeness of stress testing performed by management with reference to the principal risks and uncertainties described in the going concern disclosure and the contingent liabilities disclosed in note 32;
- challenging the likelihood that the reverse stress test scenario prepared by management, which resulted in the Group breaching its banking covenants, will crystalise during the going concern period through comparing the directors' assumptions with the Group's financial performance in previous periods, our understanding of the Group's business and the economic outlook in each of its significant components; and
- evaluating the disclosures relating to going concern, included on page 41, in order to assess their consistency with our understanding of the Group's forecast performance and position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

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

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

5. Key audit matters

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

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition

Key audit matter description	The Group recognises revenue on loans using the effective interest rate ("EIR") method applicable under IFRS 9 Financial Instruments, with revenue totalling £767.8m (2022: £645.5m) being recognised in 2023. This method involves the application of significant judgement that is potentially susceptible to being manipulated, in particular over ensuring that early redemptions experience and all contractual terms are reflected in management's calculation of the EIR for each product issued. Specifically, we identified a key audit matter around the accuracy and completeness of cash flows included in management's calculation of the EIR for each product, in order to ensure that evidence of early settlement behaviour, including early settlement rebates where applicable; had been appropriately considered. Revenue recognition is described further in the audit and risk committee's report on page 106 and within the key sources of estimation uncertainty note on page 153. The revenue balance for the period is disclosed in the consolidated income statement and note 1 to the Financial Statements.
How the scope of our audit responded to the key audit matter	We tested the relevant controls to the revenue recognition cycle, including those performed in the component markets, and tested the accuracy and completeness of cash flow data used in management's revenue calculations. We worked with our IT specialists to re-calculate a sample of product and cohort EIRs, based on an independent extract of source data from core lending systems, and tested the mechanical accuracy of models used by management, increasing the extent of our re-calculations and testing in response to the control deficiencies outlined in section 7.2. We assessed the appropriateness of the directors' key judgements used to calculate the EIR by reference to recently observable repayments phasing and early redemption behaviour of the Group's loan portfolios. We also assessed whether the revenue recognition policies applied to all material loan types offered by the Group were appropriate and in accordance with IFRS 9 and other applicable accounting standards.
Key observations	As a result of our audit testing, we found that the methodology used for calculating the EIRs is appropriate in the context of the Group's accounting policies and the requirements of the relevant accounting standards.

5.2. Impairment of receivables

Key audit matter description	Determination of impairment provisions against customer receivables is highly judgemental, requiring estimates to be made regarding the future losses that are expected to accrue on the Group's loan portfolios. Key judgements applied include determination of an individual loan's probability of default, exposure at default and loss given default. These estimates are based on a combination of historically observable repayments performance and post-model overlays made to account for emerging risks that are not yet fully observable in the Group's data. Increases in inflation rates across the components in which the Group operates during 2022, coupled with the compound impact of inflation on the price of basic goods during 2023, has led to rises in the cost of living and potentially impacted the ability of the Group's customers to make repayments as scheduled. This, in turn, has affected management's estimates regarding future losses expected to accrue on the Group's loan portfolios, with post-mode overlays totalling £21.2m (2022: £20.7m) being recognised as at 31 December 2023 to estimate the impacts that the rising cost of living will have on future customer repayments, We therefore focused a key audit matter over the valuation of this post-model overlay due to the significant directors' judgment when valuing this overlay, as well as its materiality to the financial statements of the Group and the potential for this judgment to be manipulated. The key audit matter is described further in the audit and risk committee's report on page 106 and within the key sources of estimation uncertainty on page153. Please also see note 17 for further information.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls performed at a Group level, in relation to the determination of post-model overlays. We also tested the relevant controls performed in the component markets to assess whether the cash flow data used within the Group's impairment models was complete and accurate. We challenged management's rationale for recognising a post-model overlay in the current year through analysis of recent repayment performance, the economic outlook of the Group's significant components and through involving our internal credit risk and macroeconomic specialists. In addition, we challenged the valuation of management's cost-of-living post-model overlay, evaluating the reasonableness of assumptions made by management and producing independent estimates using alternative data sets and professional judgment. We also challenged whether the directors' judgments were free from evidence of fraud or bias. We also assessed the consistency of the directors' estimate with third-party economic forecasts for each of the Group's significant components and evaluated whether the impact of credit restrictions implemented by management and the expected withdrawal of fiscal support in certain components, had been appropriately factored into management's analysis. In relation to the Group's impairment models, we involved credit risk specialists to evaluate whether the impairment provisioning methodology was consistent with the requirements of IFRS 9 and evaluated the appropriateness of the probability of default, exposure at default and loss given default assumptions used with reference to our understanding of recently observable repayments performance. We also challenged the appropriateness of using historical data to predict future repayments performance, with reference to our understanding of internal and external factors affecting the Group's components. We tested a sample of these assumptions from independent extracts of customer receivable data and re-performed the year-end impairment calculations on a sample basis to confirm the mechanical accuracy of the Group's impairment models, increasing the extent of our re-calculations and testing in response to the IT control deficiencies outlined in section 7.2. Furthermore, in response to these deficiencies, we performed additional analysis on the customer receivable data to evaluate whether any inappropriate changes had been made in the current year.
Key observations	As a result of our testing, we concluded that the rationale for post-model overlays proposed by management was appropriate and that the valuations applied were reasonable.

5.3. Legal and regulatory matters

Key audit matter description	The Group operates in a number of legal and regulatory environments, changes in which could lead to it becoming subject to complaints, regulatory investigations or customer remediation programmes. In the current year, this has included recent communications by the Komisja Nadzoru Finansowego ('KNF'), the Polish Financial Supervision Authority, regarding the level of non-interest costs that may be charged on credit cards in Poland, with a post-model overlay of £6m (2022: £nil) being recorded against the Group's customer receivables. The directors have concluded that the KNF letter represents an adjusting post balance sheet event. Given the nature of these matters, there is significant judgment involved in determining whether a provision is required to be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, whether any contingent liabilities are adequately disclosed and whether the valuation of any of the Group's assets (such as customer receivables, deferred tax assets and intangible assets) is impacted. The Group's exposure to legal and regulatory matters is described further in the principal risks and uncertainties section on page 80, within the key sources of estimation uncertainty note on page 154 and within note 32.
How the scope of our audit responded to the key audit matter	We challenged the directors' conclusions regarding the recognition of a provision, or disclosure of a contingent liability, in the context of the requirements of IAS 37. We also evaluated whether these matters impacted other areas of the financial statements, such as the impairment of receivables, the recoverability of intangible and deferred tax assets, and going concern assumptions. We inspected correspondence between the Group, its regulators and external legal advisors, making direct inquiries of the Group's internal legal counsel to assess the consistency of the financial statements with the relevant facts. With the involvement of internal legal specialists, we evaluated the reasonableness of advice received and relied upon by the directors and evaluated the competence, capabilities and objectivity of management's external advisors. We tested the mechanical accuracy of the directors' updated forecasts for future periods, as well as the models used to assess the recoverability of the Group's assets and the adjustments made to the financial statements. We also evaluated the disclosures made in the Financial Statements to determine whether they appropriately reflected the underlying facts and key sources of estimation uncertainty.
Key observations	As a result of our testing, we concluded that the judgments made when determining whether a provision should be recognised, whether the valuation of any of the Group's assets have been impacted, as well as the related disclosures in note 32, were reasonable and consistent with the requirements of IAS 37 and IFRS 9.

6. Our application of materiality

6.1. Materiality

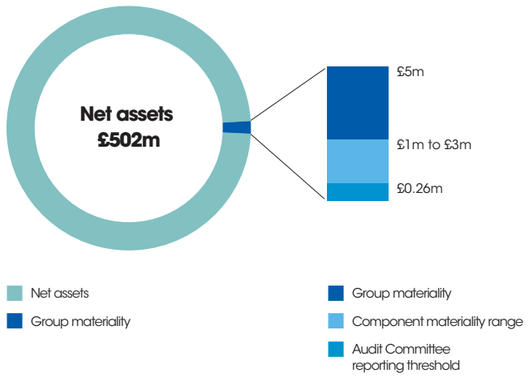
We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent company Financial Statements
Materiality	£5.7 million (2022: £5.1 million)	£2.85 million (2022: £2.55 million)
Basis for determining materiality	1.1% of consolidated net assets (2022: 1.1% of consolidated net assets).	Parent company materiality equates to 1% of net assets, which is capped at 50% of Group materiality (2022: 1% of net assets, capped at 50% of Group materiality).
Rationale for the benchmark applied	Given the ongoing volatility in the Group's reported profit before taxation, we have determined net assets to be the most stable and appropriate benchmark for assessing materiality.	The main operations of the parent company are to obtain external finance, with the main balances being the investments held in its subsidiaries and the external loan balances. We have therefore determined net assets as the most appropriate benchmark for assessing materiality.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.



	Group Financial Statements	Parent company Financial Statements
Performance materiality	60% (2022: 65%) of Group materiality	60% (2022: 50%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the heightened level of risk arising from the ongoing impacts of changes in the Group's external environment, the level of uncorrected misstatements identified in prior periods and our decision not to place reliance on controls in the current year. Taking these factors into account, we reduced performance materiality to 60% of materiality in the current year.	In determining performance materiality, we considered the heightened level of risk arising from changes in the Group's external environment and the level of uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £285,000 (2022: £255,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

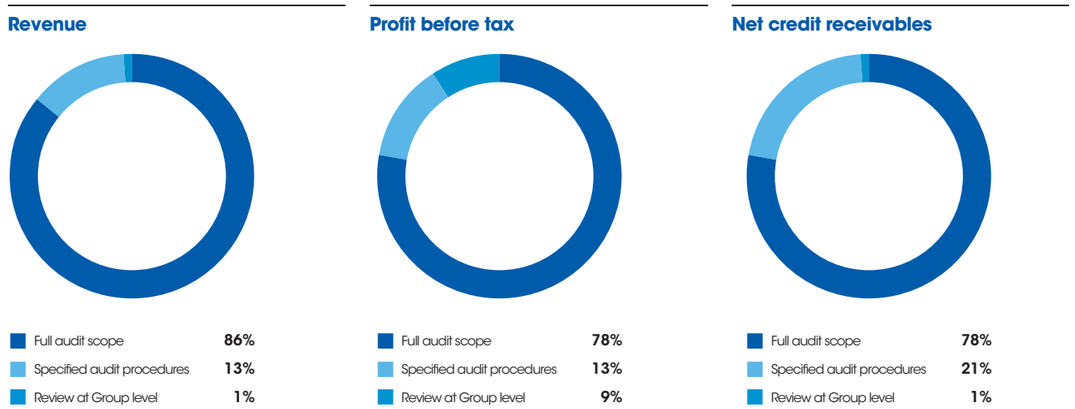
7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the financial significance of the Group's components as well as the risks of material misstatement at the Group-level. Based on that assessment, we focused our Group audit scope primarily on the audit work at seven components, five of which were subject to a full scope audit, and two that involved the testing of specified account balances. The components subject to a full scope audit were the Home Collect Credit businesses in Poland, Romania, Czech Republic, Hungary and Mexico (the 'Home Collect Credit' division), with a further five entities managed in the IPF Digital division and two entities in the UK subject to testing over specified account balances. We involved component auditors in our testing of the Home Collect Credit and IPF Digital divisions.

Other than a re-assessment of the significance of the Group's operations in the UK, which were subject to testing over specified account balances in 2023 and a full scope audit in 2022, the scope of our audit was consistent with that in the prior period. These procedures were performed directly by the Group auditor.

These twelve entities represent the principal business units of the Group, and account for 99% (2022: 98%) of the Group's net credit receivables, 91% (2022: 97%) of the Group's revenue and 99% (2022: 97%) of the Group's profit (2022: profit) before taxation.



7.2. Our consideration of the control environment

We worked with internal IT specialists to perform testing of relevant IT controls over all relevant systems to the financial reporting process, as well as the revenue recognition, customer lending and model impairment processes. Our component auditors also worked with local IT specialists to perform testing of the relevant IT controls over the data storage platform used in-market to record and administrate customer lending, including that relating to the new credit card product. Our testing of controls covered all of the components where a full-scope audit or testing of significant account balances was performed.

We also obtained an understanding of relevant controls performed at a Group-level in relation to the impairment of receivables key audit matter and tested relevant controls in place over the revenue recognition, customer lending and model impairment cycles.

In the current year, during the course of our controls testing, we identified a number of IT control deficiencies over the revenue recognition, customer lending and model impairment processes for the Home Collect Credit division, which did not allow us to rely on controls and our audit was therefore fully substantive in all components. Management's own evaluation of the Group's control environment is described further in the audit and risk committee's report on page 109.

7.3 Our consideration of climate-related risks

When planning our audit, we considered the impact of climate change on the Group's operations and the subsequent impact on its Financial Statements. The Group sets out its assessment of the potential impacts on pages 64-76 of the 'Environment' and 'TCFD report' sections of the Annual Report, as well as page 142 of the Financial Statements.

We held discussions with the Group to understand their process for identifying climate-related risks, including the governance controls in place over this process, as well as their impact on the Financial Statements. We also obtained an understanding of the Group's long-term strategy to respond to climate change risks as they involve, including the effect on the Group's forecasts for future periods.

Our audit work has included assessing the conclusions reached by management regarding the impact of climate-related risks on the Group's Financial Statements in the current year and reading the disclosures in the Annual Report to consider whether they are materially consistent with the Financial Statements and our knowledge obtained in the audit.

7.3. Working with other auditors

At the Group-level, we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to closely monitor and liaise with all significant component audit teams. In the current year, we visited the component auditor in Poland in person. We included the component audit partners and teams in our team briefing, discussed their risk assessment, and reviewed the audit work performed. In addition, we held virtual meetings with component teams and with members of component management, and we reviewed component team working papers remotely.

8. Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the audit and risk committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, macroeconomic, IT and credit risk specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and impairment of receivables, due to the potential for management to manipulate highly judgemental assumptions. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, the London Stock Exchange Listing Rules and pensions and tax legislation applicable in the territories in which it operates.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or avoid a material penalty. These included the applicable consumer credit regulations in place across the Group's significant components.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition and impairment of receivables as key audit matters related to the potential risk of fraud and legal and regulatory matters as a key audit matter related to the potential risk of non-compliance with laws and regulations. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the audit and risk committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Group's regulators and tax authorities in each of its significant components; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 41;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate, set out on page 83;
- the directors' statement on fair, balanced and understandable, set out on page 109;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 78;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, set out on page 109; and
- the section describing the work of the Audit and Risk Committee, set out on page 106.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters on which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit and risk committee, we were appointed by the members of the Group on 11 May 2011 to audit the Financial Statements for the year ending 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 13 years, covering the years ending 31 December 2011 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the audit and risk committee

Our audit opinion is consistent with the additional report to the audit and risk committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these Financial Statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Annual Financial Report has been prepared in compliance with DTR 4.1.15R – 4.1.18R.

Matthew Bainbridge FCA (Senior statutory auditor)

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

14 March 2024

Consolidated income statement

for the year ended 31 December

Group	Notes	2023 £m	2022 £m
Revenue	1	**767.8**	645.5
Impairment	1	**(169.4)**	(106.7)
Revenue less impairment		**598.4**	538.8
Interest expense	2	**(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	1	**83.9**	77.4
Pre-exceptional tax income – UK		**0.7**	0.1
Pre-exceptional tax expense – overseas		**(32.6)**	(31.2)
Total pre-exceptional tax expense	5	**(31.9)**	(31.1)
Exceptional tax (charge)/income	5, 10	**(4.0)**	10.5
Total tax expense		**(35.9)**	(20.6)
Profit after taxation attributable to equity shareholders		**48.0**	56.8

Group	Notes	2023 pence	2022 pence
Earnings per share – statutory			
Basic	6	**21.5**	25.6
Diluted	6	**20.2**	24.3

Group	Notes	2023 pence	2022 pence
Earnings per share – pre-exceptional items			
Basic	6	**23.2**	20.8
Diluted	6	**21.9**	19.8

See note 6 for further information on earnings per share.

Statements of comprehensive income

for the year ended 31 December

		Group		Company	
		2023 £m	2022 £m	2023 £m	2022 £m
Profit/(loss) after taxation attributable to equity shareholders		**48.0**	56.8	**(24.6)**	(16.5)
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)	**0.1**	(0.1)
Tax credit on items that may be reclassified	5	**–**	0.8	**–**	–
Items that will not subsequently be reclassified to income statement					
Actuarial gains/(losses) on retirement benefit obligation	27	**3.9**	(3.8)	**3.9**	(3.8)
Tax (charge)/credit on items that will not be reclassified	5	**(1.0)**	0.9	**(1.0)**	0.9
Other comprehensive income/(expense) net of taxation		**25.8**	37.4	**3.0**	(3.0)
Total comprehensive income/(expense) for the year attributable to equity shareholders		**73.8**	94.2	**(21.6)**	(19.5)

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

Balance sheets

as at 31 December

		Group		Company	
	Notes	2023 £m	2022 £m	2023 £m	2022 £m
Assets					
Non-current assets					
Goodwill	11	**23.6**	24.2	**–**	–
Intangible assets	12	**32.3**	27.9	**–**	–
Investment in subsidiaries	13	**–**	–	**733.4**	732.3
Property, plant and equipment	14	**16.0**	17.3	**1.1**	1.3
Right-of-use assets	15	**21.7**	19.3	**2.3**	2.6
Amounts receivable from customers	17	**203.3**	212.2	**–**	–
Deferred tax assets	16	**131.7**	138.5	**–**	0.5
Retirement benefit asset	27	**6.1**	2.1	**6.1**	2.1
		434.7	441.5	**742.9**	738.8
Current assets					
Amounts receivable from customers	17	**689.6**	656.6	**–**	–
Derivative financial instruments	23	**2.9**	4.5	**–**	–
Cash and cash equivalents	18	**42.5**	50.7	**5.0**	5.0
Other receivables	19	**16.0**	16.2	**523.4**	527.6
Current tax assets		**3.3**	1.6	**–**	–
		754.3	729.6	**528.4**	532.6
Total assets		**1,189.0**	1,171.1	**1,271.3**	1,271.4
Liabilities					
Current liabilities					
Borrowings	21	**(52.2)**	(71.8)	**(35.1)**	(40.5)
Derivative financial instruments	23	**(4.4)**	(4.6)	**–**	(0.1)
Trade and other payables	20	**(132.9)**	(122.2)	**(397.2)**	(372.3)
Provision for liabilities and charges	26	**–**	(4.7)	**–**	–
Lease liabilities	15	**(8.3)**	(7.2)	**(0.2)**	(0.1)
Current tax liabilities		**(7.3)**	(18.3)	**–**	–
		(205.1)	(228.8)	**(432.5)**	(413.0)
Non-current liabilities					
Deferred tax liabilities	16	**(7.1)**	(5.9)	**–**	(0.5)
Borrowings	21	**(459.6)**	(477.0)	**(393.1)**	(373.2)
Lease liabilities	15	**(15.3)**	(14.2)	**(2.4)**	(2.6)
		(482.0)	(497.1)	**(395.5)**	(376.3)
Total liabilities		**(687.1)**	(725.9)	**(828.0)**	(789.3)
Net assets		**501.9**	445.2	**443.3**	482.1
Equity attributable to owners of the Company					
Called-up share capital	29	**23.4**	23.4	**23.4**	23.4
Other reserve		**(22.5)**	(22.5)	**226.3**	226.3
Foreign exchange reserve		**32.0**	9.2	**–**	–
Hedging reserve		**0.2**	0.1	**–**	(0.1)
Own shares		**(36.7)**	(43.3)	**(36.7)**	(43.3)
Capital redemption reserve		**2.3**	2.3	**2.3**	2.3
Retained earnings		**503.2**	476.0	**228.0**	273.5
Total equity		**501.9**	445.2	**443.3**	482.1

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

The loss after taxation of the Parent Company for the period was £24.6m (2022: loss of £16.5m).

The Financial Statements of International Personal Finance plc, registration number 6018973 comprising the consolidated income statement, statements of comprehensive income, balance sheets, statements of changes in equity, cash flow statements, accounting policies and notes 1 to 33 were approved by the Board on 14 March and were signed on its behalf by:

Gerard Ryan
Chief Executive Officer

Gary Thompson
Chief Financial Officer

Statements of changes in equity

Group – Attributable to owners of the Company	Notes	Called-up share capital £m	Other reserve £m	Foreign exchange reserve £m	Hedging reserve £m	Own shares £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2022		23.4	(22.5)	(32.6)	1.6	(46.6)	2.3	441.5	367.1
Comprehensive income									
Profit after taxation for the year		–	–	–	–	–	–	56.8	56.8
Other comprehensive income/(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	27	–	–	–	–	–	–	(3.8)	(3.8)
Tax credit on other comprehensive expense	5	–	–	–	0.8	–	–	0.9	1.7
Total other comprehensive income/(expense)		–	–	41.8	(1.5)	–	–	(2.9)	37.4
Total comprehensive income/(expense) for the year		–	–	41.8	(1.5)	–	–	53.9	94.2
Transactions with owners									
Share-based payment adjustment to reserves		–	–	–	–	–	–	3.2	3.2
Shares acquired by employee and treasury trusts		–	–	–	–	(0.4)	–	–	(0.4)
Shares granted from employee and treasury trusts		–	–	–	–	3.7	–	(3.7)	–
Dividends paid to Company shareholders	7	–	–	–	–	–	–	(18.9)	(18.9)
At 31 December 2022		23.4	(22.5)	9.2	0.1	(43.3)	2.3	476.0	445.2
At 1 January 2023		**23.4**	**(22.5)**	**9.2**	**0.1**	**(43.3)**	**2.3**	**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	27	–	–	–	–	–	–	3.9	3.9
Tax charge on other comprehensive income	5	–	–	–	–	–	–	(1.0)	(1.0)
Total other comprehensive income		–	–	22.8	0.1	–	–	2.9	25.8
Total comprehensive income for the year		–	–	22.8	0.1	–	–	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 and treasury trusts		–	–	–	–	(0.4)	–	–	(0.4)
Shares granted from employee and treasury trusts		–	–	–	–	7.0	–	(7.0)	–
Dividends paid to Company shareholders	7	–	–	–	–	–	–	(21.5)	(21.5)
At 31 December 2023		**23.4**	**(22.5)**	**32.0**	**0.2**	**(36.7)**	**2.3**	**503.2**	**501.9**

Company – Attributable to owners of the Company	Notes	Called-up share capital £m	Other reserve £m	Hedging reserve £m	Own shares £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2022		23.4	226.3	–	(46.6)	2.3	312.3	517.7
Comprehensive expense								
Loss after taxation for the year		–	–	–	–	–	(16.5)	(16.5)
Other comprehensive (expense)/income								
Net fair value losses – cash flow hedges		–	–	(0.1)	–	–	–	(0.1)
Actuarial loss on retirement benefit obligation	27	–	–	–	–	–	(3.8)	(3.8)
Tax credit on other comprehensive income	5	–	–	–	–	–	0.9	0.9
Total other comprehensive expense		–	–	(0.1)	–	–	(2.9)	(3.0)
Total comprehensive expense for the year		–	–	(0.1)	–	–	(19.4)	(19.5)
Transactions with owners								
Share-based payment adjustment to reserves		–	–	–	–	–	3.2	3.2
Shares acquired by employee and treasury trusts		–	–	–	(0.4)	–	–	(0.4)
Shares granted from employee and treasury trusts		–	–	–	3.7	–	(3.7)	–
Dividends paid to Company shareholders	7	–	–	–	–	–	(18.9)	(18.9)
At 31 December 2022		23.4	226.3	(0.1)	(43.3)	2.3	273.5	482.1
At 1 January 2023		**23.4**	**226.3**	**(0.1)**	**(43.3)**	**2.3**	**273.5**	**482.1**
Comprehensive expense								
Loss after taxation for the year		–	–	–	–	–	(24.6)	(24.6)
Other comprehensive income/(expense)								
Net fair value gains – cash flow hedges		–	–	0.1	–	–	–	0.1
Actuarial gain on retirement benefit obligation	27	–	–	–	–	–	3.9	3.9
Tax charge on other comprehensive income	5	–	–	–	–	–	(1.0)	(1.0)
Total other comprehensive income		–	–	0.1	–	–	2.9	3.0
Total comprehensive income/(expense) for the year		–	–	0.1	–	–	(21.7)	(21.6)
Transactions with owners								
Share-based payment adjustment to reserves		–	–	–	–	–	4.3	4.3
Deferred tax on share-based payment transactions		–	–	–	–	–	0.4	0.4
Shares acquired by employee and treasury trusts		–	–	–	(0.4)	–	–	(0.4)
Shares granted from employee and treasury trusts		–	–	–	7.0	–	(7.0)	–
Dividends paid to Company shareholders	7	–	–	–	–	–	(21.5)	(21.5)
At 31 December 2023		**23.4**	**226.3**	**–**	**(36.7)**	**2.3**	**228.0**	**443.3**

The other reserve represents the difference between the nominal value of the shares issued when the Company became listed on 16 July 2007 and the fair value of the subsidiary companies acquired in exchange for this share capital.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement.

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

Cash flow statements

for the year ended 31 December

	Notes	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Cash flows from operating activities					
Cash generated from operating activities	30	**193.4**	58.8	**37.0**	30.5
Finance costs paid		**(74.5)**	(65.2)	**(79.4)**	(71.1)
Finance income received		**–**	–	**52.3**	45.3
Income tax (paid)/received		**(33.1)**	5.5	**(2.0)**	(1.5)
Net cash generated from/(used in) operating activities		**85.8**	(0.9)	**7.9**	3.2
Cash flows from investing activities					
Purchases of property, plant and equipment	14	**(4.7)**	(9.1)	**–**	–
Proceeds from sale of property, plant and equipment		**–**	0.3	**–**	–
Purchases of intangible assets	12	**(17.9)**	(14.7)	**–**	–
Net cash used in investing activities		**(22.6)**	(23.5)	**–**	–
Net cash generated from/(used in) operating and investing activities		**63.2**	(24.4)	**7.9**	3.2
Cash flows from financing activities					
Proceeds from borrowings		**48.1**	99.3	**44.7**	40.2
Repayment of borrowings		**(87.3)**	(43.6)	**(30.9)**	(23.3)
Principal elements of lease payments		**(12.0)**	(9.2)	**(0.2)**	(0.2)
Dividends paid to Company shareholders	7	**(21.5)**	(18.9)	**(21.5)**	(18.9)
Shares acquired by employee and treasury trusts		**(0.4)**	(0.4)	**(0.4)**	(0.4)
Cash received on options exercised		**0.4**	–	**0.4**	–
Net cash (used in)/generated from financing activities		**(72.7)**	27.2	**(7.9)**	(2.6)
Net (decrease)/increase in cash and cash equivalents		**(9.5)**	2.8	**–**	0.6
Cash and cash equivalents at beginning of year		**50.7**	41.7	**5.0**	4.4
Exchange gains on cash and cash equivalents		**1.3**	6.2	**–**	–
Cash and cash equivalents at end of year	18	**42.5**	50.7	**5.0**	5.0
Cash and cash equivalents at end of year comprise:					
Cash at bank and in hand	18	**42.5**	50.7	**5.0**	5.0

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

Notes to the Financial Statements

General information

International Personal Finance plc (the Company) is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office is shown on the back cover of this Annual Report and Financial Statements.

The principal activities of the Company and its subsidiaries (IPF or the Group) and the nature of the Group's operations are set out in the Strategic Report.

These Financial Statements are presented in sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are set out in accordance with the policies set out on page 151.

The Consolidated Group and Parent Company Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 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 (see Note 5 on page 156).

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'.

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.

All of the APMs, used by the Group are set out on pages 185 to 188 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

The Group reports percentage change figures for all performance measures, other than profit or loss before taxation and earnings per share, after restating prior year figures at a constant exchange rate. The constant exchange rate, which is an APM, retranslates the previous year measures at the average actual periodic exchange rates used in the current financial year. These measures are presented as a means of eliminating the effects of exchange rate fluctuations on the year-on-year reported results.

The Group makes certain adjustments to the statutory measures in order to derive APMs where relevant. The Group's policy is to exclude items that are considered to be significant in both nature and/or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group.

Basis of preparation

The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value. The principal accounting policies, which have been applied consistently, are set out in the following paragraphs.

Going concern

The directors have, at the time of approving the Financial Statements, a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future (12 months from the date of this report). Thus they continue to adopt the going concern basis of accounting in the Financial Statements. Further detail is contained in the Financial review on page 41.

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated on consolidation.

The accounting policies of the subsidiaries are consistent with the accounting policies of the Group.

Finance costs

Finance costs comprise the interest on external borrowings which are recognised on an effective interest rate (EIR) basis, and gains or losses on derivative contracts taken to the income statement. Finance costs also include interest expenses on lease liabilities as required under IFRS 16.

Segment reporting

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board. This information is by business line – European home credit, Mexico home credit and IPF Digital. A business line is a component of the Group that operates within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Revenue

Revenue, which excludes value added tax and intra-Group transactions, comprises revenue earned on amounts receivable from customers. Revenue on customer receivables is calculated using an EIR. All fees, being interest and non-interest fees, are included within the EIR calculation. The EIR is calculated reflecting all contractual terms using estimated cash flows, being contractual payments adjusted for the impact of customers paying early.

Directly attributable lending costs are also taken into account in calculating the EIR. Interest income is accrued on all receivables using the original EIR applied to the loan's carrying value. Revenue is calculated using the EIR on the gross receivable balance for loans in stages 1 and 2. For loans in stage 3, the calculation is applied to the net receivable from the start of the next reporting period after the loan entered stage 3. Revenue is capped at the amount of interest fees charged.

Commissions in respect of insurance products intermediated by the Group are recognised when the underlying insurance is sold (alongside a loan agreement) if no further service obligations are identified. These commission amounts do not make up a significant part of the revenue of the Group. The insurance premium payable by the customer is capitalised alongside the customer loan receivable and both are accounted for on an amortised cost basis.

The accounting for amounts receivable from customers is considered further below.

Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence and which the directors consider should be disclosed separately to enable a full understanding of the Group's underlying results.

Other operating costs

Other operating costs include customer representative repayment commission, marketing costs and foreign exchange gains and losses. All other costs are included in administrative expenses.

Share-based payments

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the award. The corresponding credit is made to retained earnings. The cost is based on the fair value of awards granted at the grant date, which is determined using both a Monte Carlo simulation and Black-Scholes option pricing model.

At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

In the Parent Company Financial Statements, the fair value of providing share-based payments to employees of subsidiary companies is treated as an increase in the investment in subsidiaries.

Financial instruments

Classification and measurement

Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost; (ii) fair value through other comprehensive income (FVTOCI); and (iii) fair value through profit or loss (FVTPL). Equity instruments in the scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

There is no impact on the classification and measurement of the following financial assets held by the Group: derivative financial instruments; cash and cash equivalents; other receivables and current tax assets.

There is no change in the accounting for any financial liabilities.

Hedge accounting

On initial application of IFRS 9, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group has elected to apply the IAS 39 hedge accounting requirements.

Amounts receivable from customers

Amounts receivable from customers are measured at amortised cost under IFRS 9.

Impairment

The impairment model under IFRS 9 reflects expected credit losses. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

Forward-looking information

Under IFRS 9 macroeconomic overlays are required to include forward-looking information when calculating expected credit losses.

The short-term nature of our lending means that the portfolio turns over quickly, and as a result, changes in the macroeconomic environment have not historically had a significant impact on amounts receivable from customers.

Where extreme macroeconomic scenarios are experienced, management judgement is used to identify, quantify and apply any required approach.

Probability of default (PD); loss given default (LGD) and cash flow projections based on the most recent repayments performance, including management overlays where historic performance is not deemed to be representative of future repayments performance. Where appropriate, consideration is also given to the proportion of undrawn credit limits that the Group is committed to at the balance sheet date and which are expect to be utilised in the future.

See page 153 for key sources of estimation uncertainty on amounts receivable from customers in relation to post model overlays.

Other receivables

Other receivables, including amounts due from Group undertakings, are assessed annually for any evidence of impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Cash also includes those balances held by agents for operational purposes. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Derivative financial instruments

The Group uses derivative financial instruments, principally interest rate swaps, currency swaps and forward currency contracts, to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken and we do not expect there to be any sources of hedge ineffectiveness.

All derivative financial instruments are assessed against the hedge accounting criteria set out in IAS 39. The majority of the Group's derivatives are cash flow hedges of highly probable forecast transactions and meet the hedge accounting requirements of IAS 39. Derivatives are recognised initially at the fair value through profit or loss (EVTPL) on the date a derivative contract is entered into and are remeasured subsequently at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately within the income statement.

For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement as part of finance costs. Amounts accumulated in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

The Group discontinues hedge accounting when:

- it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge;
- the derivative expires, or is sold, terminated or exercised; or
- the underlying hedged item matures or is sold or repaid.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Goodwill is recognised initially as an asset at cost and is measured subsequently at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each end of reporting period date.

Goodwill is not amortised but is tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Impairment is tested by comparing the carrying value of goodwill to the net present value of latest forecast cash flows from the legacy MCB Finance business cash generating unit. Any impairment is recognised immediately in the income statement. Subsequent reversals of impairment losses for goodwill are not recognised.

Intangible assets

Intangible assets comprise computer software. Computer software is capitalised as an intangible asset on the basis of the costs incurred to acquire or develop the specific software and bring it into use.

Intangible assets are amortised (within administrative expenses) on a straight-line basis over their estimated useful economic lives which is typically five years. The residual values and economic lives are reviewed by management at each balance sheet date, and any shortfall recognised through the profit and loss account.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, where cost is equal to the fair value of the consideration used to acquire the asset. Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the investment carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost represents invoiced cost plus any other costs that are attributable directly to the acquisition of the items. Repair and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable value over their useful economic lives. The following are the principal bases used:

Category	Depreciation rate	Method
Fixtures and fittings	10%	Straight–line
Equipment	20% to 33.3%	Straight–line
Motor vehicles	25%	Reducing balance

The residual value and useful economic life of all assets are reviewed, and adjusted if appropriate, at each balance sheet date. All items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised through the income statement for the amount by which the asset's carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

Right-of-use Assets and Lease Liabilities

Right-of-use assets and lease liabilities are recognised on the balance sheet to the extent that they meet the IFRS 16 definition criteria. Where applicable, the Group exercises its right to expense those leases classed as short term and/or low value.

Share capital

The company has only ordinary share capital. These shares, with a nominal value of 10 pence per share, are classified as equity.

Shares held in treasury and by employee trust

The net amount paid to acquire shares is held in a separate reserve and shown as a reduction in equity.

Foreign currency translation

Items included in the Financial Statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The Group's financial information is presented in sterling.

Transactions that are not denominated in an entity's functional currency are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the rates of exchange ruling at the balance sheet date. Differences arising on translation are charged or credited to the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

The income statements of the Group's subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from sterling are translated into sterling at the average exchange rate and the balance sheets are translated at the exchange rates ruling at each balance sheet date.

Upon consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The Group has adopted IFRIC 23. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group; and to assess whether it is probable that a tax authority will accept an uncertain tax treatment used/proposed by the entity in its income tax filings. If this is deemed to be the case, the Group determines its accounting tax position with the treatment used/proposed in its income tax filings. If this is not deemed to be the case, the Group reflects the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Taxation continued

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the foreseeable future to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee benefits

Defined benefit pension scheme

The charge or credit in the income statement in respect of the defined benefit pension scheme comprises the actuarially assessed current service cost of working employees together with the interest charge on pension liabilities offset by the expected return on pension scheme assets. As there are no working employees that are members of the defined benefit pension scheme, there are no current service costs. All charges or credits are allocated to administrative expenses.

The asset or obligation recognised in the balance sheet in respect of the defined benefit pension scheme is the fair value of the scheme's assets less the present
value of the defined benefit obligation at the balance sheet date. An asset is recognised to the extent that the Group believes it has a right of refund of surplus economic benefits.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income.

The Parent Company share of the defined benefit retirement obligation is based on the proportion of total Group contributions made by the Parent Company.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Consolidated Financial Statements requires the Group to make estimates and judgements that affect the application of policies and reported accounts.

Critical judgements represent key decisions made by management in the application of the Group accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a critical accounting estimate. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make estimations that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Revenue recognition

The estimate used in respect of revenue recognition is the methodology used to calculate the EIR. In order to determine the EIR applicable to loans an estimate must be made of the expected life of each loan and hence the cash flows relating thereto. These estimates are based on historical data and are reviewed regularly. Based on a 3% variation in the EIR (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

Key sources of estimation uncertainty continued

High inflation rates associated with the global cost-of-living crisis may reduce customers' disposable income, which may impact their ability to make repayments. A full assessment of the impact of the cost-of-living crisis and associated reduction to the disposable income of customers has been performed and concluded that it is likely to result in increased risks across both the home credit and IPF Digital businesses. 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 page 30). 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 (page 30) 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 32 for a contingent liability note on this matter.

Investment in subsidiaries

During the year, as a result of the Group net asset position and the market capitalisation of the Company being lower than the carrying value of the investment in subsidiaries, a review of the recoverable amount of the carrying value of the investment has been performed. This review entails comparing the investments value to the net present value of latest forecast cash flows from the operating businesses. This review confirmed that no impairment of the investment is required. A shortfall in profitability compared to current expectations may result in future adjustments to investments in subsidiary balances. See note 13 for more details.

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.

Climate change

When preparing the financial statements, consideration has been given to the impact of climate change on the Group's financial statements. There has been no material impact identified on the financial reporting judgments and estimates, with climate change specifically considered in the context of the Group's ability to continue trading as a going concern, the valuation of its expected credit losses and assessment of impairment for non-financial assets including goodwill.

Whilst climate change was not considered to impact the financial statements, the Group acknowledges the short, medium and long-term risks and opportunities associated with climate change, as highlighted in the 'Environment' and 'TCFD Report' sections of the strategic report on pages 64-76.

1. Segment analysis

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

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

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

	Expenditure on intangible assets		Amortisation	
Group	**2023 £m**	2022 £m	**2023 £m**	2022 £m
European home credit	**–**	–	**–**	–
Mexico home credit	**–**	–	**–**	–
IPF Digital	**5.4**	5.0	**4.5**	4.0
UK	**12.5**	9.7	**8.6**	8.6
Total	**17.9**	14.7	**13.1**	12.6

	Capital expenditure		Depreciation	
Group	**2023 £m**	2022 £m	**2023 £m**	2022 £m
European home credit	**1.3**	7.0	**3.8**	4.2
Mexico home credit	**3.1**	1.8	**2.0**	1.5
IPF Digital	**0.3**	0.3	**0.3**	0.3
UK	**–**	–	**0.4**	0.2
Total	**4.7**	9.1	**6.5**	6.2

All revenue comprises amounts earned on amounts receivable from customers.

The Group is domiciled in the UK and no revenue is generated in the UK.

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £30.5m (2022: £23.3m), and the total of non-current assets located in other countries is £272.5m (2022: £279.7m).

There is no single external customer from which significant revenue is generated.

The segments shown above are the segments for which management information is presented to the Board, which is deemed to be the Group's chief operating decision maker.

2. Finance costs

Group	2023 £m	2022 £m
Interest payable on borrowings	**74.8**	66.5
Interest payable on lease liabilities	**2.1**	1.6
Total finance costs	**76.9**	68.1

3. Profit before taxation

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

Group	2023 £m	2022 £m
Depreciation of property, plant and equipment (note 14)	**6.5**	6.2
Depreciation of right-of-use assets (note 15)	**9.7**	8.5
Loss/(profit) on disposal of property, plant and equipment	**0.1**	(0.1)
Amortisation of intangible assets (note 12)	**13.1**	12.6
Employee costs (note 9)	**198.4**	168.4

4. Auditor's remuneration

During the year, the Group incurred the following costs in respect of services provided by the Group auditor:

Group	2023 £m	2022 £m
Fees payable to the Company auditor for the audit of the Parent Company and Consolidated Financial Statements	**0.1**	0.1
Fees payable to the Company auditor and its associates for other services:		
– audit of Company's subsidiaries pursuant to legislation	**1.6**	1.3
– other assurance services	**0.1**	0.2

Further details on auditor remuneration can be found in the Audit and Risk Committee Report on page 108.

5. Tax expense

Group	2023 £m	2022 £m
Current tax expense:		
– current year	**14.7**	29.8
– prior year	**0.6**	(1.8)
Total current tax expense	**15.3**	28.0
Deferred tax expense/(income) (note 16):		
– current year	**11.2**	2.0
– prior year	**(3.9)**	1.1
– write-down of previously recognised deferred tax assets	**9.3**	–
Total deferred tax expense	**16.6**	3.1
Pre-exceptional tax expense	**31.9**	31.1
Exceptional tax charge/(credit) (note 10)	**4.0**	(10.5)
Total tax expense	**35.9**	20.6

The pre-exceptional taxation charge on the profit for 2023 is £31.9m representing an effective tax rate for the year of approximately 38% (2022: an effective tax rate of approximately 40%).

Further information regarding the deferred tax expense is shown in note 16, and primarily relates to timing differences in respect of revenue and impairment and tax losses.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12 in relation to Pillar Two income taxes. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities relating to Pillar Two income taxes.

5. Tax expense continued

On 20 June 2023, the United Kingdom government's legislation applying the Pillar Two income tax rules became substantively enacted, effective from 1 January 2024. Under the legislation the parent company will be required to pay in the United Kingdom top-up tax on profits of subsidiaries that are taxed at an effective tax rate of less than 15% (as calculated under the rules). A system of simplified safe harbours will apply for a transitional period of up to three years. The Group has performed an impact assessment using a combination of historic and forecast financial data, and concludes that no material Pillar Two top-up tax liabilities are expected to arise. However, given the uncertainty regarding forecast financial data and the potential for changes in the tax environment in the markets in which the Group operates, the actual impact that the Pillar Two legislation will have in the future may differ. The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

Group	2023 £m	2022 £m
Deferred tax credit on net fair value losses – cash flow hedges	**–**	0.8
Deferred tax credit on net fair value gains – share based payments	**0.5**	–
Deferred tax (charge)/credit on actuarial gains/(losses) on retirement benefit asset	**(1.0)**	0.9
Deferred tax credit on revenue and impairment	**1.0**	–
Current tax charge on revenue and impairment	**(1.0)**	–
Total tax (charge)/credit on other comprehensive income and recognised directly in equity	**(0.5)**	1.7

The rate of tax expense on the profit before taxation for the year ended 31 December 2023 is higher than (2022: higher than) the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%). The differences are explained as follows:

Group	2023 £m	2022 £m
Profit before taxation	**83.9**	77.4
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%)	**19.7**	14.7
Effects of:		
– adjustment in respect of prior years	**(3.3)**	(0.7)
– adjustment in respect of foreign tax rates	**(1.3)**	2.6
– non-deductible bad debt expense	**7.9**	10.1
– other expenses not deductible for tax purposes	**(1.2)**	1.6
– write-down of previously recognised deferred tax assets	**9.3**	–
– other change in unrecognised deferred tax assets	**1.6**	2.9
– impact of rate change on deferred tax asset / liability	**(0.8)**	(0.1)
Pre-exceptional tax expense	**31.9**	31.1
Exceptional tax charge/(credit) (note 10)	**4.0**	(10.5)
Total tax expense	**35.9**	20.6

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

6. Earnings per share

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 (2022: 222.2m) which has been adjusted to exclude the weighted average number of shares held in treasury and by the employee trust.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary share options relating to employees of the Group.

The weighted average number of shares used in the basic and diluted EPS calculations can be reconciled as follows:

Group	2023 £m	2022 £m
Used in basic EPS calculation	**223.7**	222.2
Dilutive effect of awards	**13.8**	11.8
Used in diluted EPS calculation	**237.5**	234.0

6. Earnings per share continued

Basic and diluted EPS are presented below:

Group	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 and diluted pre-exceptional EPS are presented below:

Group	2023 pence	2022 pence
Basic EPS	**21.5**	25.6
Exceptional item	**1.7**	(4.8)
Basic pre-exceptional EPS	**23.2**	20.8
Dilutive effect of awards	**(1.3)**	(1.0)
Diluted pre-exceptional EPS	**21.9**	19.8

7. Dividends

Group and Company	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 (2021: final 2021 dividend of 5.8 pence per share)	**14.6**	12.9
	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: full-year dividend 9.2 pence per share). Subject to shareholder approval, the final dividend will be paid on 10 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.

8. Remuneration of key management personnel

The key management personnel (as defined by IAS 24 'Related party disclosures') of the Group are deemed to be the executive and non-executive directors of IPF and the members of the Senior Leadership Team.

	2023 £m	2022 £m
Short-term employee benefits	**4.5**	3.7
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.5**	0.5
Total	**5.1**	4.3

Short-term employee benefits comprise salary/fees and benefits earned in the year.

Post-employment benefits represent the sum of contributions into the Group's stakeholder pension scheme and personal pension arrangements.

Disclosures in respect of the Group's directors are included in the Directors' Remuneration Report.

9. Employee information

The average full-time equivalent of people employed by the Group (including executive directors) was as follows:

Group	2023 Number	2022 Number
Full-time*	**6,555**	6,130
Part-time**	**1,217**	1,302
	7,772	7,432

* Includes 1,423 customer representatives in Hungary and Romania (2022: includes 1,088 customer representatives in Hungary and Romania).

** Includes 1,056 customer representatives in Hungary and Romania (2022: includes 1,154 customer representatives in Hungary and Romania).

Agents are self-employed other than in Hungary and Romania where they are required by legislation to be employed.

9. Employee information continued

The average number of employees by category was as follows:

Group	2023 Number	2022 Number
Operations	**4,802**	4,492
Administration	**377**	395
Head office and loss prevention	**2,593**	2,545
	7,772	7,432

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

Group	2023 £m	2022 £m
Gross wages and salaries	**170.3**	145.5
Social security costs	**24.5**	20.0
Pension charge – defined contribution schemes (note 27)	**1.0**	0.8
Pension credit – defined benefit schemes (note 27)	**(0.1)**	(0.1)
Share-based payment charge (note 28)	**2.7**	2.2
Total	**198.4**	168.4

The average monthly number of people directly employed by the Company in 2023 was 57 (2022: 55), all of whom fulfilled administration and operational responsibilities on behalf of the Group. In 2023, the Company paid wages and salaries totalling £8.3m (2022: £7.7m), social security costs totalling £1.9m (2022: £2.4m) and pension-related costs of £0.6m (2022: £0.6m).

10. Exceptional tax items

The 2023 income statement includes an exceptional tax charge of £4.0m (2022: a net exceptional tax credit of £10.5m) which comprises the following items:

Group	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 38.

11. Goodwill

Group	2023 £m	2022 £m
Net book value		
At 1 January	**24.2**	22.9
Exchange adjustments	**(0.6)**	1.3
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. 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' outstanding customer receivables) and would need to be 14% lower than currently estimated for the goodwill balance to be impaired.

12. Intangible assets

Group	2023 £m	2022 £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
At 31 December	**32.3**	27.9
Analysed as:		
– cost	**151.8**	142.2
– amortisation	**(119.5)**	(114.3)
At 31 December	**32.3**	27.9

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

The Company has no intangible assets.

13. Investment in subsidiaries

Company	2023 £m	2022 £m
Investment in subsidiaries	**712.5**	712.5
Share-based payment adjustment	**20.9**	19.8
Total investment in subsidiaries	**733.4**	732.3

The company acquired the international businesses of the Provident Financial plc Group on 16 July 2007 by issuing one company share to the shareholders of Provident Financial plc for each Provident Financial plc share held by them. The fair value of the consideration issued in exchange for the investment in these international businesses was £663.6m and this amount was therefore capitalised as a cost of investment. On 6 February 2015, the Group acquired 100% of the issued share capital of MCB Finance Group plc (MCB) for a cash consideration of £23.2m. Subsequent to this, further investments of £25.7m have been made in these acquired businesses.

£20.9m (2022: £19.8m) has been added to the cost of investment representing the fair value of the share-based payment awards over the Company's shares made to employees of subsidiary companies of the company. Corresponding credits are taken to reserves.

During the year, as a result of the Group net asset position and the market capitalisation of the Company being lower than the carrying value of the investment in subsidiaries, a review has been carried out of the recoverable amount of the carrying value of the investment. This review entailed comparing the investments value to the net present value of latest forecast cash flows from the operating businesses. The cash flow forecasts are based on the most recent financial budgets approved by the Board. The rate used to discount the forecast cash flows was 13% (2022: 12%). This review confirmed that no impairment of the investment is required. The discount rate would need to increase to 18% for the investment balance to be impaired.

13. Investment in subsidiaries continued

The subsidiary companies of IPF plc, whose ordinary share capital is 100% owned by the Group and included in these Consolidated Financial Statements, are detailed below:

Subsidiary company	Country of incorporation and operation	Principal activity
Avalist Credit Secure, S.L.	Spain	In liquidation
Compañía Estelar Poniente, S.A. de C.V.	Mexico	Provision of agent services
Digital Insurance OÜ	Estonia	Provision of services
División Estratégica Central, S.A. de C.V.	Mexico	Holding company
Estrategias Divisionales Céntricas, S.A. de C.V.	Mexico	Provision of agent services
Estrategias Sureñas de Avanzada, S.A. de C.V.	Mexico	Provision of agent services
International Personal Finance Digital Spain S.A.U.	Spain	In liquidation
International Credit Insurance Limited	Guernsey	Provision of insurance services
International Personal Finance Investments Limited	United Kingdom	Holding company
IPF Ceská republica s.r.o	Czech Republic	Dormant
IPF Development (2003) Limited	United Kingdom	Dormant
IPF Digital AS	Estonia	Digital credit/provision of services
IPF Digital Australia Pty Limited	Australia	Digital credit
IPF Digital Finland Oy	Finland	Digital credit
IPF Digital Group Limited *	United Kingdom	Holding company
IPF Digital Latvia, SIA	Latvia	Digital credit
IPF Digital Lietuva, UAB	Lithuania	Digital credit
IPF Digital Mexico S.A de C.V	Mexico	Digital credit
IPF Digital sp. z o.o.	Poland	Provision of services
IPF Financial Services Limited	United Kingdom	Provision of loan finance
IPF Financing Limited	United Kingdom	Provision of services
IPF Guernsey (2) Limited	Guernsey	Dormant
IPF Holdings Limited *	United Kingdom	Holding company
IPF International Limited	United Kingdom	Provision of services
IPF Loan Financing Limited	United Kingdom	Provision of services
IPF Management Unlimited Company	Ireland	Dormant
IPF Nordic Limited	United Kingdom	Provision of loan finance
IPF Polska sp. z o.o.	Poland	Digital credit
La Regional Operaciones Centrales, S.A. de C.V.	Mexico	Holding Company
La Tapatía Operaciones de Avanzada, S.A. de C.V.	Mexico	Provision of agent services
Metropolitana Estrella de Operaciones, S.A. de C.V.	Mexico	Provision of agent services
Operadora Regiomontana de Estrategias Integrales, S.A. de C.V.	Mexico	Provision of agent services
PF (Netherlands) B.V.	Netherlands	Provision of services
Provident Financial Romania IFN S.A.	Romania	Home credit
Provident Financial s.r.o.	Czech Republic	Home credit
Provident PenzüGvi Zrt	Hungary	Home credit
Provident Services SRL	Romania	Provision of services
Provident Mexico S.A. de C.V.	Mexico	Home credit
Provident Polska S.A.	Poland	Home credit
Provident Servicios de Agencia S.A. de C.V.	Mexico	Dormant
Provident Servicios S.A. de C.V.	Mexico	Dormant

* Shares directly held by the Company, otherwise shares indirectly held by the Company.

The IPF Nordic Limited (registration number 11356987) and IPF Financial Services Limited (registration number 04607141) are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act.

All UK subsidiaries are registered at the same registered office as the Company, and this address is shown on the back cover of this Annual Report and Financial Statements. All subsidiaries are tax resident in their country of incorporation except for International Credit Insurance Limited and IPF Management Unlimited Company which are tax resident in the UK.

14. Property, plant and equipment

Group	Computer equipment £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
Cost				
At 1 January 2022	79.3	22.9	0.5	102.7
Exchange adjustments	2.9	1.8	–	4.7
Additions	5.3	3.8	–	9.1
Disposals	(4.4)	(2.9)	(0.4)	(7.7)
At 31 December 2022	83.1	25.6	0.1	108.8
Depreciation				
At 1 January 2022	(70.4)	(18.2)	(0.3)	(88.9)
Exchange adjustments	(2.6)	(1.3)	–	(3.9)
Charge to the income statement	(4.1)	(2.1)	–	(6.2)
Disposals	4.5	2.8	0.2	7.5
At 31 December 2022	(72.6)	(18.8)	(0.1)	(91.5)
Net book value at 31 December 2022	10.5	6.8	–	17.3

Group	**Computer equipment £m**	**Fixtures and fittings £m**	**Motor vehicles £m**	**Total £m**
Cost				
At 1 January 2023	**83.1**	**25.6**	**0.1**	**108.8**
Exchange adjustments	**1.3**	**1.1**	**–**	**2.4**
Additions	**4.1**	**0.6**	**–**	**4.7**
Disposals	**(6.1)**	**(2.2)**	**–**	**(8.3)**
At 31 December 2023	**82.4**	**25.1**	**0.1**	**107.6**
Depreciation				
At 1 January 2023	**(72.6)**	**(18.8)**	**(0.1)**	**(91.5)**
Exchange adjustments	**(1.0)**	**(0.8)**	**–**	**(1.8)**
Charge to the income statement	**(4.3)**	**(2.2)**	**–**	**(6.5)**
Disposals	**6.1**	**2.1**	**–**	**8.2**
At 31 December 2023	**(71.8)**	**(19.7)**	**(0.1)**	**(91.6)**
Net book value at 31 December 2023	**10.6**	**5.4**	**–**	**16.0**

The Company has property, plant and equipment with a cost of £2.4m (2022: £2.4m); depreciation of £1.3m (2022: £1.1m); and a net book value of £1.1m (2022: £1.3m). All of these assets are computer equipment and Head Office fixtures and fittings.

15. Right-of-use assets and lease liabilities

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

	Motor vehicles £m	Properties £m	Equipment £m	Group £m
Net book value at 1 January 2022	5.7	11.9	0.1	17.7
Exchange adjustments	0.6	0.8	–	1.4
Additions	3.8	5.0	–	8.8
Modifications	(0.5)	0.5	(0.1)	(0.1)
Depreciation	(3.9)	(4.6)	–	(8.5)
Net book value at 31 December 2022	5.7	13.6	–	19.3

	Motor vehicles £m	**Properties £m**	**Equipment £m**	**Group £m**
Net book value at 1 January 2023	**5.7**	**13.6**	**–**	**19.3**
Exchange adjustments	**0.4**	**0.5**	**–**	**0.9**
Additions	**9.1**	**0.7**	**–**	**9.8**
Modifications	**0.1**	**1.3**	**–**	**1.4**
Depreciation	**(4.6)**	**(5.1)**	**–**	**(9.7)**
Net book value at 31 December 2023	**10.7**	**11.0**	**–**	**21.7**

The amounts recognised in profit and loss are as follows:

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

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

	2023 £m	2022 £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
Current liabilities	**8.3**	7.2
Non-current liabilities:		
– 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 total cash outflow in the year in respect of lease contracts was £12.0m (2022: £9.4m).

The Company has one lease as at 31 December 2023 (2022: one lease) in respect of the UK head office premises, with a lease liability of £2.6m (2022: £2.7m).

16. Deferred tax

Deferred tax is calculated in full on temporary differences under the balance sheet liability method using the appropriate tax rate for the jurisdiction in which the temporary difference arises. The movement in the deferred tax balance during the year can be analysed as follows:

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
At 1 January	**132.6**	116.8	**–**	(0.7)
Exchange adjustments	**8.1**	14.1	**–**	–
Tax credit/(charge) to the income statement	**(16.6)**	–	**0.6**	(0.2)
Tax (charge)/credit on other comprehensive (expense)/income	**(1.0)**	1.7	**(1.0)**	0.9
Tax credit direct to equity	**1.5**	–	**0.4**	–
At 31 December	**124.6**	132.6	**–**	–

The UK corporation tax rate was 19% for the period 1 January 2023 to 31 March 2023. The Finance Act 2021, which was substantively enacted on 2 May 2021, included an amending provision to increase the UK corporation tax rate to 25% with effect from 1 April 2023. Accordingly, UK deferred tax assets and liabilities at 31 December 2023 have been measured with reference to these rates.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Deferred tax assets	**131.7**	138.5	**–**	0.5
Deferred tax liabilities	**(7.1)**	(5.9)	**–**	(0.5)
At 31 December	**124.6**	132.6	**–**	–

	Group				Company		
	Losses £m	Revenue and impairment differences £m	Other temporary differences £m	Total £m	Retirement benefit obligations £m	Other temporary differences £m	Total £m
At 1 January 2022	43.4	75.9	(2.5)	116.8	(1.2)	0.5	(0.7)
Exchange adjustments	6.3	7.0	0.8	14.1	–	–	–
Tax (charge)/credit to the income statement	(17.6)	16.0	1.6	–	(0.2)	–	(0.2)
Tax credit on items taken directly to equity	–	–	1.7	1.7	0.9	–	0.9
At 31 December 2022	32.1	98.9	1.6	132.6	(0.5)	0.5	–
At 1 January 2023	**32.1**	**98.9**	**1.6**	**132.6**	**(0.5)**	**0.5**	**–**
Exchange adjustments	**2.2**	**5.6**	**0.3**	**8.1**	**–**	**–**	**–**
Tax (charge)/credit to the income statement	**(6.5)**	**(10.1)**	**–**	**(16.6)**	**–**	**0.6**	**0.6**
Tax charge on other comprehensive income	**–**	**–**	**(1.0)**	**(1.0)**	**(1.0)**	**–**	**(1.0)**
Tax credit on items taken directly to equity	**–**	**1.0**	**0.5**	**1.5**	**–**	**0.4**	**0.4**
At 31 December 2023	**27.8**	**95.4**	**1.4**	**124.6**	**(1.5)**	**1.5**	**–**

Deferred tax assets have been recognised in respect of tax losses and other temporary timing differences (principally relating to recognition of revenue and impairment) to the extent that it is probable that these assets will be utilised against future taxable profits. The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

At 31 December 2023, the Group has unused tax losses of £248.5m (2022: £212.3m) available for offset against future profits. A deferred tax asset has been recognised in respect of £104.3m (2022: £109.1m) of these losses where profit projections indicate the existence of sufficient taxable profits to support the recognition of the asset. The recognition for 2023 was based on the forecast profits contained in the Group's five-year business plan approved by the Board in December 2023. See information on Going Concern on page 41 for more details regarding the business plan. No deferred tax has been recognised in respect of the remaining £144.2m (2022: £103.2m) as it is not considered probable that there will be future taxable profits available against which these losses can be offset. None of the unrecognised losses are subject to an expiry date.

16. Deferred tax continued

Dividends received from overseas subsidiaries are largely exempt from UK tax but may be subject to dividend withholding taxes levied by certain overseas tax jurisdictions in which the Group's subsidiaries operate (currently the Czech Republic and Romania). The gross temporary differences of those subsidiaries affected by such potential withholding taxes is approximately £48.0m (2022: £32.0m).

A deferred tax liability of approximately £2.0m (2022: £0.8m) has been recognised on the unremitted earnings of those subsidiaries affected by such potential withholding taxes only to the extent that the Group is anticipating dividends to be distributed by those subsidiaries in the foreseeable future. No deferred tax liability is recognised on remaining temporary differences of approximately £24.0m (2022: £22.0m) as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

17. Amounts receivable from customers

Group	**2023 £m**	2022 £m
Amounts receivable from customers comprise:		
– amounts due within one year	**689.6**	656.6
– amounts due in more than one year	**203.3**	212.2
Total amounts recoverable from customers	**892.9**	868.8

All lending is in the local currency of the country in which the loan is issued. The currency profile of amounts receivable from customers is as follows:

Group	**2023 £m**	2022 £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	**892.9**	868.8

Amounts receivable from customers are stated at amortised cost and calculated in accordance with the Group's accounting policies. Depending on the risks associated with each loan, they are categorised into three stages where stage 3 is the highest risk.

Determining an increase in credit risk since initial recognition

IFRS 9 has the following recognition criteria:

- Stage 1: Requires the recognition of 12 month expected credit losses (the expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition.
- Stage 2: Lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition.
- Stage 3: Credit impaired.

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

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

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

Definition of default and credit impaired assets

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

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

The default definition has been applied consistently to model the PD, and LGD throughout the Group's expected credit loss calculations.

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

17. Amounts receivable from customers continued

Write-offs

A financial instrument is written off (in full or in part) when the Group judges there to be no reasonable expectation that the instrument can be recovered (in full or in part). This is typically the case when the Group determines that the customer is not able to generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is performed at the individual instrument level. The related impairment loss allowance is also written off once all the necessary procedures have been completed and the loss amount has crystallised. Financial instruments that are written off could still be subject to recovery activities and subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

We have not disclosed amounts written off, including those still subject to recovery activities, separately in the receivables by stage as our impairment models do not analyse default performance in this manner.

The table below shows the amount of the net receivables in each stage at 31 December:

	2023				2022			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total net Receivables £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net Receivables £m
Home credit	**443.7**	**74.9**	**151.5**	**670.1**	439.7	78.9	140.9	659.5
IPF Digital	**206.7**	**9.8**	**6.3**	**222.8**	193.7	9.4	6.2	209.3
Group	**650.4**	**84.7**	**157.8**	**892.9**	633.4	88.3	147.1	868.8

Gross carrying amount and loss allowance

The amounts receivable from customers includes a provision for the loss allowance, which relates to the expected credit losses on each agreement. The gross carrying amount is the present value of the portfolio before the loss allowance provision is deducted. The gross carrying amount less the loss allowance is equal to the net receivables.

	2023				2022			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total net Receivables £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total net Receivables £m
Gross carrying amount	**799.7**	**159.5**	**441.9**	**1,401.1**	782.0	161.8	422.8	1,366.6
Loss allowance	**(149.3)**	**(74.8)**	**(284.1)**	**(508.2)**	(148.6)	(73.5)	(275.7)	(497.8)
Net receivables	**650.4**	**84.7**	**157.8**	**892.9**	633.4	88.3	147.1	868.8

Gross carrying amount

The changes in gross carrying amount recognised for the period are impacted by a variety of factors:

- Customer lending in the period;
- Transfers between the three stages due to changes in the risk associated with each loan;
- Revenue recognised within the period;
- Recoveries from receivables; and
- Other movements to gross carrying amount and foreign exchange retranslations.

Loss allowance

The changes to the loss allowance recognised for the period are impacted by a variety of factors:

- Total impairment charge for the period, which comprises the following:
  - Loss allowance on customer lending;
  - Transfers between the three stages due to changes in the risk associated with each loan;
  - Changes in risk parameters (PDs, and LGDs) in the period arising from the regular refresh of the inputs into the expected loss model; and
  - Other impairment impacts including the impact of movements in days past due within each stage, impairment impact of write-offs and post-field write-off collections.
- Recoveries from receivables not included within impairment; and
- Other movements to the loss allowance and foreign exchange retranslations.

17. Amounts receivable from customers continued

The following tables explain the changes for home credit in the gross carrying amount, the loss allowance and net receivables between the beginning of the year and the end of the year:

	2023				2022			
Gross carrying amount – Home credit	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening gross carrying amount at 1 January	**554.2**	**146.4**	**389.8**	**1,090.4**	457.2	107.9	342.6	907.7
Customer lending	**919.4**	**–**	**–**	**919.4**	894.4	–	–	894.4
Transfers between stages:	**(373.9)**	**59.4**	**314.5**	**–**	(311.6)	78.2	233.4	–
– From stage 1	**(396.4)**	**165.5**	**230.9**	**–**	(327.6)	144.7	182.9	–
– From stage 2	**12.7**	**(107.8)**	**95.1**	**–**	6.8	(67.6)	60.8	–
– From stage 3	**9.8**	**1.7**	**(11.5)**	**–**	9.2	1.1	(10.3)	–
Revenue	**387.8**	**81.4**	**172.1**	**641.3**	327.1	69.1	132.2	528.4
Recoveries	**(1,031.3)**	**(159.7)**	**(505.3)**	**(1,696.3)**	(982.3)	(133.2)	(380.7)	(1,496.2)
Other movements	**104.8**	**15.6**	**29.3**	**149.7**	169.4	24.4	62.3	256.1
Closing gross carrying amount at 31 December	**561.0**	**143.1**	**400.4**	**1,104.5**	554.2	146.4	389.8	1,090.4

	2023				2022			
Loss allowance – Home credit	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening loss allowance at 1 January	**(114.5)**	**(67.5)**	**(248.9)**	**(430.9)**	(96.9)	(50.0)	(217.3)	(364.2)
Loss allowance on customer lending	**(91.9)**	**–**	**–**	**(91.9)**	(99.1)	–	–	(99.1)
Transfers between stages:	**68.6**	**(7.3)**	**(61.3)**	**–**	63.0	(18.3)	(44.7)	–
– From stage 1	**78.5**	**(44.6)**	**(33.9)**	**–**	70.5	(44.3)	(26.2)	–
– From stage 2	**(4.5)**	**37.9**	**(33.4)**	**–**	(2.3)	26.3	(24.0)	–
– From stage 3	**(5.4)**	**(0.6)**	**6.0**	**–**	(5.2)	(0.3)	5.5	–
Change in risk parameters	**(3.2)**	**(0.7)**	**(3.4)**	**(7.3)**	0.2	–	0.5	0.7
Other impairment	**(60.1)**	**(27.9)**	**51.1**	**(36.9)**	(12.0)	(8.7)	38.4	17.7
Impairment	**(86.6)**	**(35.9)**	**(13.6)**	**(136.1)**	(47.9)	(27.0)	(5.8)	(80.7)
Recoveries	**69.9**	**33.4**	**44.4**	**147.7**	44.6	19.7	4.0	68.3
Other movements	**13.9**	**1.8**	**(30.8)**	**(15.1)**	(14.3)	(10.2)	(29.8)	(54.3)
Closing loss allowance at 31 December	**(117.3)**	**(68.2)**	**(248.9)**	**(434.4)**	(114.5)	(67.5)	(248.9)	(430.9)

	2023				2022			
Net receivables – Home credit	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening net receivables at 1 January	**439.7**	**78.9**	**140.9**	**659.5**	360.3	57.9	125.3	543.5
Customer lending	**919.4**	**–**	**–**	**919.4**	894.4	–	–	894.4
Transfers between stages:	**(373.9)**	**59.4**	**314.5**	**–**	(311.6)	78.2	233.4	–
– From stage 1	**(396.4)**	**165.5**	**230.9**	**–**	(327.6)	144.7	182.9	–
– From stage 2	**12.7**	**(107.8)**	**95.1**	**–**	6.8	(67.6)	60.8	–
– From stage 3	**9.8**	**1.7**	**(11.5)**	**–**	9.2	1.1	(10.3)	–
Revenue	**387.8**	**81.4**	**172.1**	**641.3**	327.1	69.1	132.2	528.4
Impairment	**(86.6)**	**(35.9)**	**(13.6)**	**(136.1)**	(47.9)	(27.0)	(5.8)	(80.7)
Recoveries	**(961.4)**	**(126.3)**	**(460.9)**	**(1,548.6)**	(937.7)	(113.5)	(376.7)	(1,427.9)
Other movements	**118.7**	**17.4**	**(1.5)**	**134.6**	155.1	14.2	32.5	201.8
Closing net receivables at 31 December	**443.7**	**74.9**	**151.5**	**670.1**	439.7	78.9	140.9	659.5

17. Amounts receivable from customers continued

The following tables explain the changes for IPF Digital in the gross carrying amount, the loss allowance and net receivables between the beginning of the year and the end of the year:

	2023				2022			
Gross carrying amount – IPF Digital	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening gross carrying amount at 1 January	**227.8**	**15.4**	**33.0**	**276.2**	192.5	16.2	36.4	245.1
Customer lending	**231.2**	**–**	**–**	**231.2**	232.0	–	–	232.0
Transfers between stages:	**(61.5)**	**10.0**	**51.5**	**–**	(37.5)	(0.9)	38.4	–
– From stage 1	**(114.0)**	**104.0**	**10.0**	**–**	(83.9)	82.5	1.4	–
– From stage 2	**50.8**	**(95.4)**	**44.6**	**–**	44.2	(84.7)	40.5	–
– From stage 3	**1.7**	**1.4**	**(3.1)**	**–**	2.2	1.3	(3.5)	–
Revenue	**113.7**	**8.9**	**3.9**	**126.5**	105.1	8.1	3.9	117.1
Recoveries	**(287.8)**	**(11.2)**	**(48.4)**	**(347.4)**	(283.2)	(8.2)	(48.6)	(340.0)
Other movements	**15.3**	**(6.7)**	**1.5**	**10.1**	18.9	0.2	2.9	22.0
Closing gross carrying amount at 31 December	**238.7**	**16.4**	**41.5**	**296.6**	227.8	15.4	33.0	276.2

	2023				2022			
Loss allowance – IPF Digital	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening loss allowance at 1 January	**(34.1)**	**(6.0)**	**(26.8)**	**(66.9)**	(32.7)	(7.6)	(31.5)	(71.8)
Loss allowance on customer lending	**(18.2)**	**–**	**–**	**(18.2)**	(27.6)	–	–	(27.6)
Transfers between stages:	**(6.5)**	**27.5**	**(21.0)**	**–**	(6.3)	27.6	(21.3)	–
– From stage 1	**8.1**	**(7.9)**	**(0.2)**	**–**	9.7	(9.5)	(0.2)	–
– From stage 2	**(13.4)**	**36.2**	**(22.8)**	**–**	(14.1)	37.9	(23.8)	–
– From stage 3	**(1.2)**	**(0.8)**	**2.0**	**–**	(1.9)	(0.8)	2.7	–
Change in risk parameters	**0.1**	**–**	**0.1**	**0.2**	3.9	0.7	1.3	5.9
Other impairment	**4.9**	**(31.5)**	**11.3**	**(15.3)**	17.1	(36.0)	14.6	(4.3)
Impairment	**(19.7)**	**(4.0)**	**(9.6)**	**(33.3)**	(12.9)	(7.7)	(5.4)	(26.0)
Recoveries	**–**	**–**	**20.4**	**20.4**	–	–	29.8	29.8
Other movements	**21.8**	**3.4**	**(19.2)**	**6.0**	11.5	9.3	(19.7)	1.1
Closing loss allowance at 31 December	**(32.0)**	**(6.6)**	**(35.2)**	**(73.8)**	(34.1)	(6.0)	(26.8)	(66.9)

	2023				2022			
Net receivables – IPF Digital	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Opening net receivables at 1 January	**193.7**	**9.4**	**6.2**	**209.3**	159.8	8.6	4.9	173.3
Customer lending	**231.2**	**–**	**–**	**231.2**	232.0	–	–	232.0
Transfers between stages:	**(61.5)**	**10.0**	**51.5**	**–**	(37.5)	(0.9)	38.4	–
– From stage 1	**(114.0)**	**104.0**	**10.0**	**–**	(83.9)	82.5	1.4	–
– From stage 2	**50.8**	**(95.4)**	**44.6**	**–**	44.2	(84.7)	40.5	–
– From stage 3	**1.7**	**1.4**	**(3.1)**	**–**	2.2	1.3	(3.5)	–
Revenue	**113.7**	**8.9**	**3.9**	**126.5**	105.1	8.1	3.9	117.1
Impairment	**(19.7)**	**(4.0)**	**(9.6)**	**(33.3)**	(12.9)	(7.7)	(5.4)	(26.0)
Recoveries	**(287.8)**	**(11.2)**	**(28.0)**	**(327.0)**	(283.2)	(8.2)	(18.8)	(310.2)
Other movements	**37.1**	**(3.3)**	**(17.7)**	**16,1**	30.4	9.5	(16.8)	23.1
Closing net receivables at 31 December	**206.7**	**9.8**	**6.3**	**222.8**	193.7	9.4	6.2	209.3

17. Amounts receivable from customers continued

Impairment as a percentage of gross carrying amount for each geographical segment is shown below:

Group	**2023 %**	2022 %
European home credit	**4.9**	0.7
Mexico home credit	**32.3**	31.6
IPF Digital	**11.6**	10.1

The carrying value of amounts receivable from customers that would have been impaired had their terms not been renegotiated is £nil (2022: £nil).

Amounts receivable from customers are held at amortised cost and are equal to the expected future cash flows receivable discounted at the average annual EIR 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).

No collateral is held in respect of any customer receivables.

Management monitors credit quality using two key metrics: impairment as a percentage of gross carrying amount and gross cash loss (GCL) development. Commentary on impairment as a percentage of gross carrying amount is set out in the operational review at both Group and segment level. GCL represents the expected total value of contractual cash flows that will not be repaid and will ultimately be written off for any loan or group of loans. Until repayments on any group of receivables are complete, the GCL forecast is a composite of actual and expected cash flows. This represents a leading-edge measure of credit quality with forecasts based on the actual performance of previous lending.

The Company has no amounts receivable from customers (2022: £nil).

18. Cash and cash equivalents

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Cash at bank and in hand	**42.5**	50.7	**5.0**	5.0

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

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
GBP sterling	**3.0**	4.5	**3.0**	4.6
Polish zloty	**11.6**	16.5	**0.2**	–
Czech crown	**0.9**	1.1	**–**	–
Euro	**10.4**	12.9	**1.8**	0.4
Hungarian forint	**1.6**	1.4	**–**	–
Mexican peso	**10.2**	11.9	**–**	–
Romanian leu	**4.3**	1.9	**–**	–
Australian dollar	**0.5**	0.5	**–**	–
Total	**42.5**	50.7	**5.0**	5.0

19. Other receivables

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Other receivables	**6.3**	7.4	**–**	–
Prepayments	**9.7**	8.8	**0.6**	0.2
Amounts due from Group undertakings	**–**	–	**522.8**	527.4
Total	**16.0**	16.2	**523.4**	527.6

No balance within other receivables is impaired.

Amounts due from Group undertakings are unsecured, accrue interest and are due for repayment in less than one year.

20. Trade and other payables

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Trade payables	**16.8**	15.5	**0.2**	0.6
Other payables including taxation and social security	**58.9**	53.1	**–**	0.4
Accruals	**57.2**	53.6	**13.0**	13.5
Amounts due to Group undertakings	**–**	–	**384.0**	357.8
Total	**132.9**	122.2	**397.2**	372.3

Amounts due to Group undertakings are unsecured, accrue interest and are due for repayment in less than one year.

21. Borrowing facilities and borrowings

The Group and Company's borrowings are as follows:

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Borrowings				
Bank borrowings	**83.6**	135.1	**–**	–
Bonds	**428.2**	413.7	**428.2**	413.7
Total	**511.8**	548.8	**428.2**	413.7

The Group's external bonds comprise the following:

Bond	Coupon %	Maturity date	**2023 £m**
Swedish krona bond – 450.0m	Three-month STIBOR plus 700 basis points	2024	**35.1**
Euro bond – €341.2m	9.750	2025	**295.9**
Hungarian bond – €11.6m	11.500	2026	**10.1**
Polish bond – zloty 72.0m	Six-month WIBOR plus 850 basis points	2026	**14.4**
Retail bond – £77.4m	12.000	2027	**77.4**
			432.9
Less: unamortised arrangement fees and issue discount			**(4.7)**
Total			**428.2**

The Swedish Krona 450.0m (£35.1m) bond and the Polish zloty 72.0m (£14.4m) are floating rate bonds. The external bank borrowings of the Group are at a combination of floating and fixed rates.

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

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Borrowings				
Repayable:				
– in less than one year	**52.2**	71.8	**35.1**	40.5
– between one and two years	**330.5**	57.1	**292.9**	35.8
– between two and five years	**129.1**	419.9	**100.2**	337.4
Total	**511.8**	548.8	**428.2**	413.7

The average period to maturity of the Group's external bonds and committed external borrowing facilities is 2.0 years (2022: 2.5 years).

21. Borrowing facilities and borrowings continued

The currency exposure on external borrowings is as follows:

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Sterling	**75.7**	79.5	**75.7**	79.5
Polish zloty	**16.7**	20.5	**14.4**	–
Czech crown	**9.3**	19.6	**–**	–
Euro	**303.0**	298.4	**303.0**	298.4
Hungarian forint	**64.6**	79.4	**–**	–
Romanian leu	**6.1**	5.9	**–**	–
Mexican peso	**1.3**	9.7	**–**	–
Swedish krona	**35.1**	35.8	**35.1**	35.8
Total	**511.8**	548.8	**428.2**	413.7

Further information on changes in external borrowings is included in the funding section of the Financial review on page 40.

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

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Bond and bank facilities available				
Repayable:				
– on demand	**32.6**	31.6	**9.7**	9.8
– in less than one year	**65.4**	84.7	**35.1**	46.2
– between one and two years	**364.6**	57.4	**306.4**	35.8
– between two and five years	**166.1**	437.3	**101.9**	367.2
Total	**628.7**	611.0	**453.1**	459.0

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

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Expiring within one year	**45.8**	44.5	**9.7**	15.5
Expiring between one and two years	**31.1**	0.3	**10.5**	–
Expiring in more than two years	**35.3**	12.0	**–**	24.4
Total	**112.2**	56.8	**20.2**	39.9

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

22. Risks arising from financial instruments

Risk management

Treasury related risks

The Board approves treasury policies and the treasury function manages the day-to-day operations. The Board delegates certain responsibilities to the Treasury Committee. The Treasury Committee is empowered to take decisions within that delegated authority. Treasury activities and compliance with treasury policies are reported to the Board on a regular basis and are subject to periodic independent reviews and audits, both internal and external. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risk; interest rate risk; currency risk; and counterparty risk. This is to ensure that the Group is properly funded; that interest rate and currency risk are managed within set limits; and that financial counterparties are of appropriate credit quality. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps, currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's underlying business operations. No transactions of a speculative nature are undertaken and written options may only be used when matched by purchased options.

22. Risks arising from financial instruments continued

Liquidity risk

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The short-term nature of the Group's business means that the majority of amounts receivable from customers are receivable within twelve months with an average period to maturity of around thirteen months. The risk of not having sufficient liquid resources is therefore low.

The treasury policy adopted by the Group serves to reduce this risk further by setting a specific policy parameter that there are sufficient committed debt facilities to cover forecast borrowings plus an appropriate level of operational headroom on a rolling basis. Further, the aim is to ensure that there is a balanced refinancing profile; that there is diversification of debt funding sources; that there is no over-reliance on a single or small group of lenders; and that debt facilities and hedging capacity are sufficient for the currency requirements of each country. At 31 December 2023, the Group's bonds and committed borrowing facilities had an average period to maturity of 2.0 years (2022: 2.5 years).

As shown in note 21, total undrawn facilities as at 31 December 2023 were £112.2m (2022: £56.8m).

A maturity analysis of gross borrowings included in the balance sheet is presented in note 21. A maturity analysis of bonds, bank borrowings and overdrafts outstanding at the balance sheet date by non-discounted contractual cash flow, including expected interest payments, is shown below:

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Not later than six months	**26.8**	21.8	**176.5**	191.9
Later than six months and not later than one year	**78.7**	91.1	**56.0**	59.3
Later than one year and not later than two years	**365.1**	109.3	**560.2**	255.1
Later than two years and not later than five years	**151.5**	450.5	**121.9**	375.7
Total	**622.1**	672.7	**914.6**	882.0

The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating interest rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the balance sheet date.

In line with paragraph 39(a) of IFRS 7, the maturity table for the Company also includes amounts payable to Group companies of £383.4m (2022: £358.5m).

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

	2023		2022	
Group	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**295.2**	**293.2**	250.5	249.2
Later than one month and not later than six months	**102.6**	**101.3**	114.4	114.4
Later than six months and not later than one year	**0.6**	**0.6**	7.9	7.4
Later than one year and not later than two years	**–**	**–**	3.3	3.0
Total	**398.4**	**395.1**	376.1	374.0

	2023		2022	
Company	**Outflow £m**	**Inflow £m**	Outflow £m	Inflow £m
Not later than one month	**0.1**	**0.1**	19.8	19.7
Later than one month and not later than six months	**0.7**	**0.7**	0.7	0.7
Later than six months and not later than one year	**0.4**	**0.3**	0.4	0.4
Total	**1.2**	**1.1**	20.9	20.8

When the amount payable or receivable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the interest rate yield curves existing at the balance sheet date.

22. Risks arising from financial instruments continued

A maturity analysis of the Group's receivables and borrowing facilities as at 31 December is presented below:

Group	Receivables £m	Percentage of total %	Borrowing facilities £m	Percentage of total %
2022				
Less than one year	656.6	75.6	116.3	19.0
Later than one year	212.2	24.4	494.7	81.0
Total	868.8	100.0	611.0	100.0
2023				
Less than one year	**689.6**	**77.2**	**98.0**	**15.6**
Later than one year	**203.3**	**22.8**	**530.7**	**84.4**
Total	**892.9**	**100.0**	**628.7**	**100.0**

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

Amounts receivable from customers

Risk management policies in respect of amounts receivable from customers are discussed in the credit risk section within this note, and in note 17.

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates in each of its countries of operation and, therefore, seeks to limit this net exposure. This is achieved by the use of techniques to fix interest costs, including fixed rate funding (predominantly longer-term bond funding); forward currency contracts used for non-functional currency funding; bank borrowing loan draw-down periods; and interest rate hedging instruments. These techniques are used to hedge the interest costs on a proportion of borrowings over a certain period of time, up to five years.

Interest costs are a relatively low proportion of the Group's revenue (10.0% in 2023; 10.5% in 2022) and therefore the risk of a material impact on profitability arising from a change in interest rates is low. If interest rates across all markets increased by 200 basis points this would have the following impact, net of existing hedging arrangements.

Group	**2023 £m**	2022 £m
Reduction in profit before taxation	**1.7**	1.7

This sensitivity analysis is based on the following assumptions:

- the change in the market interest rate occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rate affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk: net asset exposure; cash flow exposure; and income statement exposure.

Net asset exposure

The majority of the Group's net assets are denominated in currencies other than sterling. The balance sheet is reported in sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have a material impact on the net assets of the Group. The impact in 2023 is an increase in net assets of £22.8m (2022: increase of £41.8m). The Group aims to minimise the value of net assets denominated in each foreign currency by funding overseas receivables with borrowings in local currency, where possible.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in foreign currency. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are expected to arise in the following 12 months. Where forward foreign exchange contracts have been entered into, they are designated as cash flow hedges on specific future transactions.

Income statement exposure

As with net assets, the majority of the Group's profit is denominated in currencies other than sterling but translated into sterling for reporting purposes. The result for the period is translated into sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rates in the countries in which the Group operates will have a material impact on the consolidated result for the period.

22. Risks arising from financial instruments continued

The following sensitivity analysis demonstrates the impact on equity of a 5% strengthening or weakening of sterling against all exchange rates for the countries in which the Group operates:

Group	2023 £m	2022 £m
Change in reserves	**3.7**	4.3
Change in profit before taxation	**5.9**	7.1

This sensitivity analysis is based on the following assumptions:

- there is a 5% strengthening/weakening of sterling against all currencies in which the Group operates (Polish zloty, Czech crown, euro, Hungarian forint, Mexican peso, Romanian leu, and Australian dollar); and
- there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

Counterparty risk

The Group is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks; and foreign currency and derivative financial instruments.

The Group only deposits cash, and only undertakes currency and derivative transactions, generally with highly rated banks and sets strict limits in respect of the amount of exposure to any one institution. Institutions with lower credit ratings can only be used as approved, or delegated for approval, by the Board.

No collateral or credit enhancements are held in respect of any financial assets. The maximum exposure to counterparty risk is as follows:

Group	2023 £m	2022 £m
Cash and cash equivalents	**42.5**	50.7
Derivative financial assets	**2.9**	4.5
Total	**45.4**	55.2

The table above represents a worst case scenario of the counterparty risk that the Group is exposed to at the year end. An analysis of the cash and cash equivalents by geographical segment is presented in note 18.

Cash and cash equivalents and derivative financial instruments are neither past due nor impaired. Credit quality of these assets is good and the cash and cash equivalents are with bank counterparties in accordance with the limits set out in our treasury policies, to ensure the risk of loss is minimised.

Credit risk

The Group is subject to credit risk in respect of amounts receivable from customers.

Amounts receivable from customers

The Group lends small amounts over short-term periods to a large and diverse group of customers across the countries in which it operates. Nevertheless, the Group is subject to a risk of material unexpected credit losses in respect of amounts receivable from customers. This risk is minimised by the use of credit scoring techniques which are designed to ensure the Group lends only to those customers who are considered to be able to afford the repayments. The amount loaned to each customer and the repayment period agreed are dependent upon the risk category the customer is assigned to as part of the credit scoring process. The level of expected future losses is generated on a weekly or monthly basis by business line and geographical segment. These outputs are reviewed by management to ensure that appropriate action can be taken if results differ from management expectations.

Group	2023 £m	2022 £m
Amounts receivable from customers	**892.9**	868.8

The table above represents the maximum exposure to credit risk of the Group at the year end. Further analysis of the amounts receivable from customers is presented in note 17.

Capital risk

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is not required to hold regulatory capital.

The Group aims to maintain appropriate capital to ensure that it has a strong balance sheet but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance. The Financial review on page 36 includes information on the Group's Financial model which covers the Group's capital structure strategy.

22. Risks arising from financial instruments continued

Capital is monitored by considering the ratio of equity to receivables and the gearing ratio. The equity of the Group and these ratios are shown below:

Group	2023 £m	2022 £m
Receivables	**892.9**	868.8
Borrowings	**(511.8)**	(548.8)
Other net assets	**120.8**	125.2
Equity	**501.9**	445.2
Equity as % of receivables	**56.2%**	51.2%
Gearing	**1.0**	1.2

The Group has a target equity to receivables rate of 40%. At 31 December 2023, the equity to receivables rate was 56.2% (2022: 51.2%). We anticipate a reduction in the equity to receivables ratio in 2024 (subject to foreign exchange movements) as we invest in growth, continue to deliver our progressive dividend policy and deliver returns below our target threshold as we complete the two-year transition of our Polish business.

We continue to operate with significant headroom on the Group's debt funding covenants. Further details are included on page 41.

23. Derivative financial instruments

The Group's derivative assets and liabilities that were measured at fair value at 31 December are as follows:

Group	2023 £m	2022 £m
Assets		
Foreign currency contracts	**2.9**	4.5
Total	**2.9**	4.5

Group	2023 £m	2022 £m
Liabilities		
Foreign currency contracts	**4.4**	4.6
Total	**4.4**	4.6

Company	2023 £m	2022 £m
Liabilities		
Foreign currency contracts	**–**	0.1
Total	**–**	0.1

The fair value of derivative financial instruments has been calculated by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December.

Cash flow hedges

The Group uses foreign currency contracts (cash flow hedges) to hedge those foreign currency cash flows that are highly probable to occur within 12 months of the balance sheet date and interest rate swaps (cash flow hedges) to hedge those interest cash flows that are expected to occur within two years of the balance sheet date. The effect on the income statement will also be within these periods. An amount of £0.1m has been credited to equity for the Group in the period in respect of cash flow hedges (2022: £2.3m charged to equity), Company: £0.1m credited to equity (2022: £0.1m charged to equity).

23. Derivative financial instruments continued

The following table shows the notional maturity profile of outstanding cash flow hedges:

Group	Repayable up to one year £m	In more than one year but less than two years £m	Total £m
As at 31 December 2022			
Foreign currency contracts	372.8	3.3	376.1
Cash flow hedges	372.8	3.3	376.1
As at 31 December 2023			
Foreign currency contracts	**398.4**	**–**	**398.4**
Cash flow hedges	**398.4**	**–**	**398.4**

Company	Repayable up to one year £m	In more than one year but less than two years £m	Total £m
As at 31 December 2022			
Foreign currency contracts	20. 9	–	20.9
Cash flow hedges	20. 9	–	20.9
As at 31 December 2023			
Foreign currency contracts	**1.2**	**–**	**1.2**
Cash flow hedges	**1.2**	**–**	**1.2**

The Group and the company had no interest rate swaps at 31 December 2023 (2022: nil).

24. Analysis of financial assets and financial liabilities

Financial assets

An analysis of Group financial assets is presented below:

	2023			2022		
Group	**Financial assets at amortised cost £m**	**Derivatives used for hedging £m**	**Total £m**	Financial assets at amortised cost £m	Derivatives used for hedging £m	Total £m
Amounts receivable from customers	**892.9**	**–**	**892.9**	868.8	–	868.8
Derivative financial instruments	**–**	**2.9**	**2.9**	–	4.5	4.5
Cash and cash equivalents	**42.5**	**–**	**42.5**	50.7	–	50.7
Other receivables	**16.0**	**–**	**16.0**	16.2	–	16.2
Total	**951.4**	**2.9**	**954.3**	935.7	4.5	940.2

Financial liabilities

An analysis of Group financial liabilities is presented below:

	2023			2022		
Group	**Financial liabilities at amortised cost £m**	**Derivatives used for hedging £m**	**Total £m**	Financial liabilities at amortised cost £m	Derivatives used for hedging £m	Total £m
Bonds	**428.2**	**–**	**428.2**	413.7	–	413.7
Bank borrowings	**83.6**	**–**	**83.6**	135.1	–	135.1
Derivative financial instruments	**–**	**4.4**	**4.4**	–	4.6	4.6
Trade and other payables	**132.9**	**–**	**132.9**	122.2	–	122.2
Provision for liabilities and charges	**–**	**–**	**–**	4.7	–	4.7
Total	**644.7**	**4.4**	**649.1**	675.7	4.6	680.3

25. Fair values of financial assets and liabilities

IFRS 13 requires disclosure of fair value measurements of derivative financial instruments by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

With the exception of derivatives, which are held at fair value, amounts receivable from customers, and bonds, the carrying value of all other financial assets and liabilities (which are short-term in nature) is considered to be a reasonable approximation of their fair value. Details of the significant assumptions made in determining the fair value of amounts receivable from customers and bonds are included below, along with the fair value of other Group assets and liabilities.

The fair value and carrying value of the financial assets and liabilities of the Group are set out below:

		Fair values			
At 31 December 2022	Carrying value £m	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets					
Amounts receivable from customers	868.8	–	–	1,111.2	1,111.2
Derivative financial instruments	4.5	–	4.5	–	4.5
Cash and cash equivalents	50.7	50.7	–	–	50.7
Other receivables	16.2	–	–	16.2	16.2
	940.2	50.7	4.5	1,127.4	1,182.6
Financial liabilities					
Bonds	413.7	358.2	–	–	358.2
Bank borrowings	135.1	135.1	–	–	135.1
Derivative financial instruments	4.6	–	4.6	–	4.6
Trade and other payables	122.2	–	–	122.2	122.2
Provision for liabilities and charges	4.7	–	–	4.7	4.7
	680.3	493.3	4.6	126.9	624.8

		Fair values			
At 31 December 2023	**Carrying value £m**	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total fair value £m**
Financial assets					
Amounts receivable from customers	**892.9**	**–**	**–**	**1,139.3**	**1,139.3**
Derivative financial instruments	**2.9**	**–**	**2.9**	**–**	**2.9**
Cash and cash equivalents	**42.5**	**42.5**	**–**	**–**	**42.5**
Other receivables	**16.0**	**–**	**–**	**16.0**	**16.0**
	954.3	**42.5**	**2.9**	**1,155.3**	**1,200.7**
Financial liabilities					
Bonds	**428.2**	**420.8**	**–**	**–**	**420.8**
Bank borrowings	**83.6**	**83.6**	**–**	**–**	**83.6**
Derivative financial instruments	**4.4**	**–**	**4.4**	**–**	**4.4**
Trade and other payables	**132.9**	**–**	**–**	**132.9**	**132.9**
	649.1	**504.4**	**4.4**	**132.9**	**641.7**

25. Fair values of financial assets and liabilities continued

The fair value and carrying value of the financial assets and liabilities of the Company are set out below:

At 31 December 2022	Carrying value £m	Fair values Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets					
Cash and cash equivalents	5.0	5.0	–	–	5.0
Other receivables	527.6	–	–	527.6	527.6
	532.6	5.0	–	527.6	532.6
Financial liabilities					
Bonds	413.7	358.2	–	–	358.2
Derivative financial instruments	0.1	–	0.1	–	0.1
Trade and other payables	372.3	–	–	372.3	372.3
	786.1	358.2	0.1	372.3	730.6

At 31 December 2023	**Carrying value £m**	**Fair values Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total fair value £m**
Financial assets					
Cash and cash equivalents	**5.0**	**5.0**	**–**	**–**	**5.0**
Other receivables	**523.4**	**–**	**–**	**523.4**	**523.4**
	528.4	**5.0**	**–**	**523.4**	**528.4**
Financial liabilities					
Bonds	**428.2**	**420.8**	**–**	**–**	**420.8**
Trade and other payables	**397.2**	**–**	**–**	**397.2**	**397.2**
	825.4	**420.8**	**–**	**397.2**	**818.0**

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (as used to calculate the carrying value of amounts due from customers), net of repayment costs, at the Group's weighted average cost of capital which is estimated to be 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.

26. Provisions

The Group receives claims brought by or on behalf of current and former customers in connection with its past conduct. Where significant, provisions are held against the costs expected to be incurred in relation to these matters.

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.

27. Retirement benefit asset/obligation

Pension schemes – defined benefit

With effect from 1 March 2010, the Group's defined benefit pension scheme was closed to further accrual of defined benefit obligations. The scheme includes benefits due under final salary and cash balance arrangements and scheme governance is maintained by an independent board of trustees. Scheme assets are invested in line with the strategy set out in the scheme's financial statements. The primary objectives are to ensure the scheme's obligations to its beneficiaries can be met, and that the scheme achieves an asset return higher than the return from bonds over the longer term, whilst recognising the need to balance risk and control return generation.

Scheme assets are stated at fair value as at 31 December 2023. The major assumptions used by the actuary were:

Group and Company	**2023 %**	2022 %
Price inflation ('CPI')	**2.5**	2.6
Rate of increase to pensions in payment	**3.0**	3.1
Discount rate	**4.8**	5.0

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The mortality assumptions are based on standard tables which allow for future mortality improvements. Different assumptions are used for different groups of members. Most members have not yet retired. On average, we expect a male retiring in the future at age 65 to live for a further 23 years. On average, we expect a female retiring in the future at age 65 to live for a further 25 years. If life expectancies had been assumed to be one year greater for all members, the defined benefit asset would reduce by approximately £0.7m.

If the discount rate was 50 basis points higher/(lower), the defined benefit asset would increase by £1.7m/(decrease by £1.9m).

If the price inflation rate was 25 basis points higher/(lower), the defined benefit asset would decrease by £0.5m/(increase by £0.4m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit asset, as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The amounts recognised in the balance sheet are as follows:

Group and Company	**2023 £m**	2022 £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 movement in the asset recognised in the balance sheet is principally due to changes in the benefit obligations based on a projection of the results of the triennial statutory funding valuation, including updates to census, mortality and other data information.

The amounts recognised in the income statement are as follows:

Group and Company	**2023 £m**	2022 £m
Interest cost	**1.4**	0.8
Expected return on scheme assets	**(1.5)**	(0.9)
Net credit recognised in the income statement	**(0.1)**	(0.1)

The net credit is included within administrative expenses.

Movements in the fair value of scheme assets were as follows:

Group and Company	**2023 £m**	2022 £m
Fair value of scheme assets at 1 January	**30.9**	51.3
Expected return on scheme assets	**1.5**	0.9
Actuarial loss on scheme assets	**(0.5)**	(21.3)
Contributions by the Group	**–**	0.9
Net benefits paid out	**(1.5)**	(0.9)
Fair value of scheme assets at 31 December	**30.4**	30.9

27. Retirement benefit asset/obligation continued

Movements in the present value of the defined benefit obligation were as follows:

Group and Company	2023 £m	2022 £m
Defined benefit obligation at 1 January	(28.8)	(46.4)
Interest cost	(1.4)	(0.8)
Actuarial gain on scheme liabilities	4.4	17.5
Net benefits paid out	1.5	0.9
Defined benefit obligation at 31 December	**(24.3)**	(28.8)

The weighted average duration of the defined benefit asset is 15 years (2022: 16 years).

The actual return on scheme assets compared to the expected return is as follows:

Group and Company	2023 £m	2022 £m
Expected return on scheme assets	1.5	0.9
Actuarial loss on scheme assets	(0.5)	(21.3)
Actual loss on scheme assets	**1.0**	(20.4)

Actuarial gains and losses have been recognised through the statement of comprehensive income ('SOCI') in the period in which they occur.

An analysis of the amounts recognised in the SOCI is as follows:

Group and Company	2023 £m	2022 £m
Actuarial loss on scheme assets	(0.5)	(21.3)
Actuarial gain on scheme liabilities	4.4	17.5
Total gain/(loss) recognised in the SOCI in the year	3.9	(3.8)
Cumulative amount of losses recognised in the SOCI	**(16.6)**	(20.5)

The history of experience adjustments are as follows:

Group and Company	2023	2022	2021*	2020*	2019*
Actuarial (losses)/gains on scheme assets:					
– amount (£m)	(0.5)	(21.3)	(1.6)	6.7	4.4
– percentage of scheme assets (%)	(1.6)	(68.9)	(3.1)	12.8	9.6
Experience gains/(losses) on scheme liabilities:					
– amount (£m)	3.4	(2.4)	1.7	–	–
– percentage of scheme liabilities (%)	14.2	(8.3)	3.7	–	–

* As required under IAS 19.

The Group expects to make a contribution of £nil (2022: £nil) to the deferred benefit pension scheme in the year ending 31 December 2024. The Group has now completed all payments pursuant to a recovery plan agreed with the scheme Trustee.

Pension schemes – defined contribution

The defined benefit pension scheme is no longer open to further accrual. All eligible UK employees are invited to join stakeholder pension schemes into which the Group contributes between 8% and 12% of members' pensionable earnings, provided the employee contributes a minimum of 5%. The assets of the scheme are held separately from those of the Group. The pension charge in the income statement represents contributions payable by the Group in respect of the scheme and amounted to £1.0m for the year ended 31 December 2023 (2022: £0.8m), Company £0.6m (2022: £0.6m). £0.1m contributions were payable to the scheme at the year end (2022: £0.1m).

28. Share-based payments

The Group currently operates six categories of share schemes: The International Personal Finance plc Performance Share Plan (the Performance Share Plan); The International Personal Finance plc Approved Company Share Option Plan (the CSOP); The International Personal Finance plc Employee Savings-Related Share Option Scheme (the SAYE scheme); The International Personal Finance plc Deferred Share Plan (the Deferred Share Plan); The International Personal Finance plc Discretionary Award Plan (the Discretionary Award Plan); and The International Personal Finance plc Restricted Share Plan (the Restricted Share Plan). A number of awards have been granted under these schemes during the period under review. No awards have been granted under the CSOP or the Discretionary Award Plan in 2023.

Options granted under the Performance Share Plans and CSOPs may be subject to a total shareholder return (TSR) performance target and/or EPS growth; net revenue growth; customer numbers growth; customer representative turnover; and earnings before interest and tax (EBIT) performance targets. The income statement charge in respect of the Performance Share Plan and the CSOP has been calculated using both a Monte Carlo simulation (for TSR) and Black-Scholes model (for the other non-market related conditions) as these schemes include performance targets. There are no performance conditions associated with the Discretionary Award Plan and, therefore, the income statement charge in respect of this scheme is calculated using the share price at the date of grant. The income statement charge in respect of the Restricted Share Plan has ben calculated using the Black-Scholes model as this scheme's performance criteria is primarily adherence to the internally set progressive dividend policy.

The income statement charge in respect of the SAYE scheme is calculated using a Monte Carlo simulation model, although, no TSR targets are assigned. The Deferred Share Plan comprises deferred awards with matching awards. From the 2018 scheme onwards, the Deferred Share Plan does not have matching awards. There are no additional performance criteria attached to the deferred awards, therefore, the income statement charge is calculated using the actual share price at the date the award is granted. The matching awards are subject to the same criteria as the Performance Share Plan.

The total income statement charge in respect of these share-based payments in 2023 was £2.7m (2022: charge of £2.2m).

The fair value per award granted and the assumptions used in the calculation of the share-based payment charge are as follows:

Group and Company	SAYE Scheme	Performance Share Plan*	Deferred Share Plan	Restricted Share Plan**
Grant date	15/09/23	03/04/23	03/04/23	10/05/23
Share price at award date	1.23	1.11	1.03	0.99
Base price for TSR	n/a	n/a	n/a	n/a
Exercise price	0.99	Nil	n/a	n/a
Vesting period (years)	3 and 5	3	3	3
Expected volatility	64%	69%	n/a	63%
Award life (years)	Up to 5	3	n/a	3
Expected life (years)	Up to 5	3	n/a	3
Risk-free rate	4.36%	3.43%	n/a	3.80%
Expected dividends expressed as a dividend yield	7.51%	8.29%	n/a	9.29%
Deferred portion	n/a	n/a	n/a	n/a
TSR threshold	n/a	n/a	n/a	n/a
TSR maximum target	n/a	n/a	n/a	n/a
EPS threshold	n/a	n/a	n/a	n/a
EPS maximum target	n/a	n/a	n/a	n/a
Net revenue threshold	n/a	n/a	n/a	n/a
Net revenue maximum target	n/a	n/a	n/a	n/a
Fair value per award (£)	0.61 – 0.68	0.70	n/a	0.75

* Performance conditions only apply for the Executive Directors and senior leadership team schemes.

** The vesting of awards will be determined by the committee and adherence to its progressive dividend policy

No exercise price is payable in respect of any awards made under the Performance Share Plan, Discretionary Award Plan, Deferred Share Plan or the Restricted Share Plan. The risk-free rate of return is the yield on zero coupon UK government bonds with a remaining term equal to the expected life of the award.

Further detail in respect of the Performance Share Plans, CSOPs, Deferred Share Plans, SAYE schemes, Discretionary Award Plans and Restricted Share Plan is provided in the Corporate Governance Report.

28. Share-based payments continued

The movements in awards during the year for the Group are outlined in the table below:

	SAYE schemes		CSOPs		Deferred Share Plans		Performance Share Plans		Restricted Share Plans		Discretionary Award Plans	
Group	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2022	1,024,638	0.94	8,657	4.05	2,336,727	–	7,423,123	–	–	–	1,373,738	–
Granted	974,128	0.75	–	–	1,103,152	–	3,330,378	–	–	–	–	–
Expired/lapsed	(250,370)	0.99	–	–	–	–	(4,038,611)	–	–	–	(236,278)	–
Exercised	–	–	–	–	(1,045,164)	–	(163,972)	–	–	–	–	–
Outstanding at 31 December 2022	1,748,396	0.82	8,657	4.05	2,394,715	–	6,550,918	–	–	–	1,137,460	–
Outstanding at 1 January 2023	**1,748,396**	**0.82**	**8,657**	**4.05**	**2,394,715**	**–**	**6,550,918**	**–**	**–**	**–**	**1,137,460**	**–**
Granted	**132,099**	**0.99**	**–**	**–**	**1,191,844**	**–**	**496,873**	**–**	**2,040,396**	**–**	**–**	**–**
Expired/lapsed	**(245,569)**	**0.89**	**(2,999)**	**3.64**	**(20,604)**	**–**	**(81,738)**	**–**	**–**	**–**	**–**	**–**
Exercised	**(481,389)**	**0.86**	**–**	**–**	**(835,616)**	**–**	**(120,041)**	**–**	**–**	**–**	**–**	**–**
Outstanding at 31 December 2023	**1,153,537**	**0.81**	**5,658**	**4.27**	**2,730,339**	**–**	**6,846,012**	**–**	**2,040,396**	**–**	**1,137,460**	**–**

Share awards outstanding at 31 December 2023 had exercise prices of £0.75– £5.26 (2022: £0.75 – £5.26) and a weighted average remaining contractual life of 8.2 years (2022: 8.4 years).

The movements in awards during the year for the Company are outlined in the table below:

	SAYE schemes		CSOPs		Deferred Share Plans		Performance Share Plans		Restricted Share Plans		Discretionary Award Plans	
Company	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2022	678,827	0.93	3,896	4.87	819,193	–	3,282,297	–	–	–	655,521	–
Granted	659,200	0.75	–	–	625,186	–	1,904,076	–	–	–	–	–
Expired/lapsed	(156,902)	0.97	–	–	–	–	(1,661,520)	–	–	–	(66,116)	–
Exercised	–	–	–	–	(387,150)	–	(7,929)	–	–	–	–	–
Outstanding at 31 December 2022	1,181,125	0.81	3,896	4.87	1,057,229	–	3,516,924	–	–	–	589,405	–
Outstanding at 1 January 2023	**1,181,125**	**0.81**	**3,896**	**4.87**	**1,057,229**	**–**	**3,516,924**	**–**	**–**	**–**	**589,405**	**–**
Granted	**66,338**	**0.99**	**–**	**–**	**781,132**	**-**	**40,504**	**-**	**1,273,695**	**–**	**–**	**–**
Expired/lapsed	**(175,728)**	**0.84**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercised	**(365,228)**	**0.86**	**–**	**–**	**(293,762)**	**–**	**(111,520)**	**–**	**–**	**–**	**–**	**–**
Outstanding at 31 December 2023	**706,507**	**0.80**	**3,896**	**4.87**	**1,544,599**	**–**	**3,445,908**	**–**	**1,273,695**	**–**	**589,405**	**–**

Share awards outstanding at 31 December 2023 had exercise prices of £0.75 – £5.26 (2022: £0.75 – £5.26) and a weighted average remaining contractual life of 8.3 years (2022: 8.6 years).

29. Share capital

Company	**2023 £m**	2022 £m
234,244,437 authorised, issued and fully-paid up shares at a nominal value of 10 pence	**23.4**	23.4

The Company has one class of ordinary shares which carry no right to fixed income.

The own share reserve represents the cost of shares in the Company purchased from the market, which can be used to satisfy options under the Group's share options schemes (see note 28). The number of ordinary shares held in treasury and by the employee trust at 31 December 2023 was 10,209,832 (2022: 11,654,312). During 2023, the employee trust acquired 349,306 shares at an average price of £1.07 (2022: 351,154 acquired at an average price of £1.13) and the treasury trust acquired nil shares (2022: nil shares).

30. Reconciliation of profit/(loss) after taxation to cash generated from operating activities

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Profit/(loss) after taxation from operations	**48.0**	56.8	**(24.6)**	(16.5)
Adjusted for:				
– tax charge	**35.9**	20.6	**1.4**	1.7
– finance costs	**76.9**	68.1	**80.0**	71.6
– finance income	**–**	–	**(51.8)**	(45.6)
– share-based payment charge (note 28)	**2.7**	2.2	**1.5**	1.1
– depreciation of property, plant and equipment (note 14)	**6.5**	6.2	**0.2**	0.1
– loss/(profit) on disposal of property, plant and equipment (note 14)	**0.1**	(0.1)	**–**	–
– amortisation of intangible assets (note 12)	**13.1**	12.6	**–**	–
– depreciation of right-of-use assets (note 15)	**9.7**	8.5	**0.3**	0.3
– impairment of intangible assets (note 12)	**0.2**	–	**–**	–
– short-term and low value lease costs (note 15)	**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	**4.4**	29.2
– increase/(decrease) in trade and other payables	**4.8**	(3.8)	**25.7**	(10.3)
– change in provisions	**(4.7)**	(0.9)	**–**	–
– change in retirement benefit asset	**(0.1)**	(1.0)	**(0.1)**	(1.0)
– increase/(decrease) in derivative financial instrument liabilities	**1.5**	(9.1)	**–**	(0.1)
Cash generated from operating activities	**193.4**	58.8	**37.0**	30.5

31. Capital commitments

Group	**2023 £m**	2022 £m
Capital expenditure commitments contracted with third parties but not provided for at 31 December	**6.7**	4.5

The Company has no commitments as at 31 December 2023 (2022: £nil).

32. 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 cards 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. 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.

The Company has a contingent liability for guarantees given in respect of the borrowings of certain other Group companies to a maximum of £82.2m (2022: £134.8m). At 31 December 2023, the fixed and floating rate borrowings under these facilities amounted to £184.0m (2022: £180.2m). The directors do not expect any loss to arise. These guarantees are defined as financial guarantees under IFRS 9 and their fair value at 31 December 2023 was £nil (2022: £nil).

33. Related party transactions

The company has various transactions with other companies in the Group. Details of these transactions along with any balances outstanding are shown below:

	2023			2022		
Company	**Recharge of costs £m**	**Interest charge £m**	**Outstanding balance £m**	Recharge of costs £m	Interest charge £m	Outstanding balance £m
Europe	**0.1**	**–**	**43.4**	0.1	–	26.7
Mexico	**–**	**12.8**	**101.9**	–	9.1	82.3
Other UK companies	**6.9**	**3.7**	**(6.5)**	5.0	(2.7)	60.6
	7.0	**16.5**	**138.8**	5.1	6.4	169.6

The outstanding balance represents the net intercompany balance receivable by the Company. Amounts due to and from the Company by Group subsidiaries are unsecured, accrue interest and are due for repayment in less than one year.

Alternative performance measures

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

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income statement measures			
Customer lending growth at constant exchange rates (%)	None	Not applicable	Customer lending is the principal value of loans advanced to customers and is an important measure of the level of lending in the business. Customer lending growth is the period-on-period change in this metric which is calculated by retranslating the previous year's customer lending at the average actual exchange rates used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results (constant exchange rates).
Closing net receivables growth at constant exchange rates (%)	None	Not applicable	Closing net receivables growth is the period-on-period change in closing net receivables which is calculated by retranslating the previous year's closing net receivables at the closing actual exchange rate used in the current financial year. This ensures that the measure is presented having eliminated the effects of exchange rate fluctuations on the period-on-period reported results (constant exchange rates).
Revenue growth at constant exchange rates (%)	None	Not applicable	The period-on-period change in revenue which is calculated by retranslating the previous year's revenue at the average actual exchange rates used in the current financial year. This measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period reported results (constant exchange rates).
Revenue yield (%)	None	Not applicable	Revenue yield is reported revenue divided by average gross receivables (before impairment provision) and is an indicator of the return being generated from average gross receivables. This measure is reported on a rolling annual basis (annualised).
Impairment rate (%)	None	Not applicable	Impairment rate is reported impairment divided by average gross receivables (before impairment provision) and represents a measure of credit quality that is used across the business. This measure is reported on a rolling annual basis (annualised).
Cost-income ratio (%)	None	Not applicable	The cost-income ratio is costs, including customer representatives commission, excluding interest expense divided by reported revenue. This measure is reported on a rolling annual basis (annualised). This is useful for comparing cost efficiency across markets.
Pre-exceptional profit before tax (£m)	Profit before tax	Exceptional items	Profit before tax and exceptional items. This is considered to be an important measure where exceptional items distort the operating performance of the business.
Pre-exceptional earnings per share (pence)	Earnings per share	Exceptional items	Earnings per share before the impact of exceptional items. This is considered to be an important measure where exceptional items distort the operating performance of the business.

Alternative performance measures *continued*

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Balance sheet and returns measures			
Gross receivables (£m)	Net customer receivables	Not applicable	Gross receivables is the same definition as gross carrying amount as per note 17.
Impairment coverage ratio (%)	None	Not applicable	Expected loss allowance divided by gross carrying amount (before impairment provision).
Pre-exceptional return on equity (RoE) (%)	None	Not applicable	Calculated as pre-exceptional profit after tax divided by average opening and closing equity. It is used as a measure of overall shareholder returns.
Pre-exceptional required return on equity (RoRE) (%)	None	Not applicable	Calculated as pre-exceptional profit after tax divided by required equity of 40% of average net receivables. It is used as a measure of overall shareholder returns.
Equity to receivables ratio (%)	None	Not applicable	Total equity divided by amounts receivable from customers. This is a measure of balance sheet strength.
Headroom (£m)	Undrawn external bank facilities	Not applicable	Calculated as the sum of undrawn external bank facilities and non-operational cash.
Net debt (£m)	None	Not applicable	Borrowings less cash.
Other measures			
Customers	None	Not applicable	Customers that are being served by our agents or through our money transfer product in the home credit business and customers that are not in default in our digital business.
Customer retention (%)	None	Not applicable	The proportion of customers that are retained for their third or subsequent loan. Our ability to retain customers is central to achieving our strategy and is an indicator of the quality of our customer service. We do not retain customers who have a poor payment history as it can create a continuing impairment risk and runs counter to our responsible lending commitments.
Employees and Customer representatives	Employee information	Not applicable	Customer representatives are self-employed individuals who represent the Group's subsidiaries and are engaged under civil contracts with the exception of Hungary and Romania where they are employees engaged under employment contracts due to local regulatory reasons.
Customer representatives and employee retention (%)	None	Not applicable	This measure represents the proportion of our employees and customer representatives that have been working for or representing the Group for more than 12 months. Experienced people help us to achieve and sustain strong customer relationships and a high quality service, both of which are central to achieving good customer retention. Good customer representative and employee retention also helps reduce costs of recruitment and training, enabling more investment in people development.

Constant exchange rate reconciliations

The year-on-year change in profit and loss accounts is calculated by retranslating the 2022 profit and loss account at the average actual exchange rates used in the current year.

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 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 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 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 at 2023 average 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 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 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%)
Other costs	(7.4%)	(7.5%)	4.5%	(2.1%)	(5.2%)

Pre-exceptional return on equity (RoE)

Pre-exceptional RoE is calculated as pre-exceptional profit after tax divided by average pre-exceptional equity:

	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	
Profit after tax	**48.0**	56.8	
Exceptional items	**4.0**	(10.5)	
Pre-exceptional profit after tax	**52.0**	46.3	
Pre-exceptional RoE	**11.1%**	11.5%	

Pre-exceptional return on required equity (RoRE)

Pre-exceptional RoRE is calculated as pre-exceptional profit after tax divided by required equity of 40% of average net receivables:

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%**

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%

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

Impairment coverage ratio

Impairment coverage ratio is calculated as loss allowance divided by closing gross receivables:

	2023 £m	2022 £m
Closing gross receivables	**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%

Shareholder Information

Financial calendar for 2024

14 March	**Announcement of 2023 full-year results**
11 April 2024	Ex-dividend date for final dividend
12 April 2024	Record date for final dividend
19 April 2024	DRIP cut-off date
2 May 2024	AGM
10 May 2024	Payment of 2023 final dividend
31 July	**Announcement of 2024 half-year results**
29 August 2024	Ex-dividend date of interim dividend
30 August 2024	Record date for interim dividend
6 September 2024	DRIP cut-off date
27 September 2024	Payment of 2023 interim dividend

Dividend history

Details of previous dividend payments can be found on our website at www.ipfin.co.uk

Year	Pence	Ex-date	Pay date	Type
2023	3.1	31/09/2023	29/09/2023	Interim
2022	6.5	06/04/2023	05/05/2023	Final
2022	2.7	01/09/2022	30/09/2022	Interim

Dividends

Dividends can be paid directly into a shareholder's bank or building society account. This ensures secure delivery and means that cleared funds are received on the payment date. For shareholders who are resident outside the UK, dividend payments are made by Link's International Payment Service and are paid in local currency. The Company offers a dividend reinvestment plan (DRIP). A DRIP is a convenient and easy way to build a shareholding by using cash dividends to buy additional shares rather than receiving a cheque or having your bank account credited with cash. To receive more information, change your preferred dividend payment method, or if you would like to participate in the DRIP, please contact the Company's registrar, Link Group (see below).

Registrar

Queries relating to your shareholdings including transfers, dividend payments/reinvestments, lost share certificates, duplicate accounts and amending personal details should be addressed to the Company's registrar:

Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

Telephone:

0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider). If you are calling from outside the UK, please call +44 (0)371 644 0300 (calls outside the UK will be charged at the applicable international rate). Lines are open between 09:00 and 17:30, Monday to Friday, excluding public holidays in England and Wales.

Email

enquiries@linkgroup.co.uk

Website:

www.linkgroup.com

Go paperless

Shareholders can register for electronic communications by visiting www.myipfshares.com.

Why receive information this way?

- Online access to personal shareholding information.
- Ability to manage shareholding and personal details proactively.
- Receive documents faster.
- Helps save paper.
- Savings on printing and delivery costs.

To register, shareholders will need their investor code, which is printed on correspondence received from Link Group. This service will require a user ID and password to be provided on registration.

ShareGift

If you have a small shareholding in International Personal Finance plc and it would be uneconomical to sell the shares, you may wish to donate them to ShareGift (registered charity no. 1052686), which is an independent charity. ShareGift can amalgamate small shareholdings in order to sell the shares and pass the proceeds on to other charities. More information is available at www.sharegift.org or telephone 020 7930 3737.

Cautionary statement

The purpose of this report is to provide information to the members of the Company. It has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors and employees, customer representatives or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The Annual Report and Financial Statements contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of the Annual Report and Financial Statements and the Company undertakes no obligation to update these forward-looking statements (other than to the extent required by legislation and the Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority). Nothing in this year's Annual Report and Financial Statements should be construed as a profit forecast.

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