

## Chairman's statement

Welcome to the 2008 International Personal Finance plc ('IPF') Annual Report and Financial Statements. Our overall goal is to produce strong, sustainable and profitable growth for our shareholders by successfully meeting our strategic objectives and we believe we are well placed to achieve this.

Over the last 11 years we have developed a wealth of experience. We understand how to enter and succeed in emerging markets and to meet the needs of consumers for fast, convenient credit. We have also identified potential new markets throughout the world that offer the prospect of strong growth in the years to come.

### Achieving targets and funding

When the business was demerged from Provident Financial plc in July 2007, we had four medium-term targets.

The first was to grow the profitability of our core Central European markets with the aim of producing pre-tax profits of £95 million by 2010. I am delighted to report that we have passed that target already, recording profit before tax in 2008 of £106.0 million on revenue of £493.2 million. This reflects a strong underlying performance in our Central European markets helped by a strong tail wind from favourable currency movements.

Our second task was to continue making progress in moving our fledgling Mexican and Romanian operations into profit. We targeted profit for Mexico in 2009 and Romania for 2010. We made good progress during the year, particularly in Mexico where start-up losses reduced year-on-year by £4.6 million. Both countries are on course to meet our targets.

Thirdly, we wanted to continue our geographic expansion, taking our home credit model into new emerging markets. We opened a pilot operation in Moscow during the year and over the course of the next 12 months or so we will use this to evaluate our home credit model in the Russian market.

Our final objective concerned our funding structure. At the year end 45.1% of our net customer receivables were financed by shareholders' funds. This is unusually high and in normal market conditions we would seek to take on more borrowings to allow the release of some shareholders' funds. However, the operation of debt capital markets continues to be disrupted and credit is scarce. In these circumstances our key objective is to secure sufficient debt funding for our business and so we were delighted during the year to extend £422.8 million of bank facilities until October 2011. This provides sufficient funding to support the development of our existing territories.



Christopher Rodrigues  
Non-executive Chairman

A key objective is to secure sufficient debt funding for our business and so we were delighted during the year to extend £422.8 million of bank facilities until October 2011. This provides sufficient funding to support the development of our existing territories.

### Preparing for the economic downturn

The global economic climate deteriorated rapidly during 2008 with the US sub-prime mortgage crisis moving from being a relatively local problem in the first half of 2008 to a full-blown international liquidity crisis during the second half of the year. By the late summer it was clear the world's developed economies were heading for a major recession. We took the view that the emerging markets in which we operate would also be significantly impacted by this with increased levels of unemployment and a more testing credit environment in 2009. We therefore drew up plans to manage our business through the downturn. We decided to act quickly and substantially tightened our credit controls in October 2008, slowing the intake of new customers and the volume of repeat lending to existing customers. We also reviewed our new market entry strategy and decided to defer any new country entry until economic conditions stabilised.

### Customer focus

We recognise that our long-term success depends on us putting our customers first. We have therefore started work to align the business to the Financial Services Authority's Treating Customers Fairly ('TCF') principles. This is a clear indication of our desire to be a truly customer focused organisation.

### Looking forward

Our leadership team has done an exceptional job and John Harnett's role in this was deservedly recognised with his appointment as Chief Executive Officer in October. I would like to thank everyone in the Group for their hard work during the year. I am delighted that the executive team will be further strengthened by the appointment of Craig Shannon as Development Director, who will be proposed for election at the forthcoming annual general meeting in May.

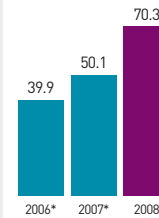
In the short term we expect conditions in 2009 to be challenging but we have made thorough preparations and believe we are well placed to weather the impending economic downturn and to prosper and grow when conditions improve. This is because:

- we have a proposition that our customers clearly like;
- we have a resilient business model;
- we have a clear growth strategy for developing the business in the future; and
- the business is well financed.

Over the medium and long term these key elements will drive the creation of shareholder value.

**Christopher J Rodrigues**  
Non-executive Chairman

IPF pre-tax profit growth 2006 – 2008 (£m)



\*Pro forma.

We have a proposition that our customers clearly like; we have a resilient business model; we have a clear growth strategy for developing the business in the future; and the business is well financed. Over the medium and long term these key elements will drive the creation of shareholder value.