

INTERNATIONAL PERSONAL FINANCE plc

Terms of Reference of the Audit and Risk Committee

Members

Nick Page (Chairman)
Tony Hales
John Lorimer

1. Name

This Committee of the Board shall be known as the Audit and Risk Committee.

Membership

2. The Committee will be appointed by the Board from amongst the independent non-executive directors of the Company (one of whom should have recent and relevant financial experience) and will consist of not fewer than three members. A quorum will be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
3. Membership of the Committee will be reviewed by the Board on an annual basis.
4. The Chairman of the Committee will be appointed by the Board. In the absence of the Chairman of the Committee, the remaining members present shall elect one of themselves to chair the meeting.
5. The Company Secretary will be Secretary to the Committee.

Meetings

6. Meetings will be held not less than five times a year. Two meetings will principally focus on risk and three principally on audit; two of the audit meetings will be scheduled to review the half year and year end results respectively.
7. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Finance Director, other directors and representatives from the finance function may be invited to attend for all or part of any meeting, as and when appropriate.
8. Without prejudice to the foregoing provision, a partner of the Internal Audit Firm, the Finance Director and the Head of Compliance and Risk will be invited to attend meetings on a regular basis. The Chief Executive will be in attendance as necessary. A partner of the External Auditors will attend when invited. However, at least once a year, the Committee will meet with the External Auditors and Internal Auditors without any executive director present.

Authority

9. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
10. The Committee is authorised by the Board if the Committee considers it necessary:
 - (a) to obtain internal advice and outside legal or other independent professional advice;
 - (b) to secure the attendance of outsiders with relevant experience and expertise; and
 - (c) to incur reasonable fees and expenses, which will be paid by the Company.

Duties

11. The duties of the Committee will be:
 - A. AUDIT
 - (a) to make recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the External Auditors and to approve the remuneration and terms of engagement of the External Auditors;
 - (b) to make recommendations to the Board in relation to the appointment, reappointment and removal of the Internal Audit Firm and to approve the remuneration and terms of appointment of the Internal Audit Firm;
 - (c) to agree with the External Auditors and Internal Audit Firm respectively, after they have consulted with line management, each year before the audits commence, the scope, approach and emphasis of their work and to agree the work to be carried out by the internal audit function;
 - (d) to review and monitor the External Auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
 - (e) to review and monitor the effectiveness of the Internal Audit Firm and the internal audit function;
 - (f) to develop and implement policy on the engagement of the External Auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the External Auditors; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

- (g) to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. Without prejudice to the generality of the foregoing the Committee will review and challenge where necessary the final and interim announcements to the Stock Exchange for:
- * compliance with accounting standards
 - * any changes in accounting policies and practices
 - * major judgmental areas and emerging issues
 - * significant adjustments resulting from the audit
 - * the going concern assumption
 - * all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management)
 - * compliance with stock exchange and legal requirements;
- (h) to discuss reservations arising from the interim and final audits and any matters which the External Auditors may wish to discuss (in the absence of management where necessary);
- (i) to approve (and amend as necessary during the year) the internal audit programme;
- (j) to consider the major findings of internal audit investigations and management's response, and ensure co-ordination between the internal and External Auditors;
- (k) to keep under review the effectiveness of the group's system of internal financial control and to report to the Board on an annual basis;
- (l) to review the External Auditors' management letter and management's response;
- (m) to review annually the reporting systems of both External and internal Auditors to ensure that the flow of information is appropriate and timely;
- (n) to review the arrangements by which group employees may in confidence raise concerns about possible improprieties in matters of financial reporting (or other matters). The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- (o) to consider other topics as requested by the Board from time to time.

B. RISK

- (a) To review the work of the Risk Advisory Group and in particular:
- (i) to consider the nature and extent of the risks facing the Company, the extent and categories of risk which it is acceptable for the Company to bear, the likelihood of risks materialising, the Company's ability to reduce the incidence and the impact on its business of the risks which do materialise and the costs of operating particular controls relative to the benefit thereby obtained in managing the related risks;
 - (ii) to review the risk register and to notify to the Board changes in the status and control evaluation of risks;
 - (iii) to keep under review the effectiveness of the group's system of internal non-financial control, including operational and compliance controls and risk management, and to report to the Board on an annual basis; and
 - (iv) to consider other topics relating to risk as requested by the Board from time to time.

AGM

12. The Chairman of the Committee will be available to answer shareholders' questions on audit matters at the Company's Annual General Meeting (as requested by the Chairman of the Company).

Minutes

13. The Secretary shall produce minutes of each meeting which will be circulated to members of the Committee and attendees and, once agreed, to all the other directors.

Reporting responsibilities

14. The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Other

15. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Approved by the Board: 19 June 2007

Amended: 16 December 2008

15 December 2009

12 May 2010