

AUDIT COMMITTEE – TERMS OF REFERENCE

1. Membership and attendance

- 1.1 The Committee shall be appointed by the Board and shall comprise of a chairman and at least two other members.
- 1.2 All members of the Committee shall be independent non-executive directors. At least one member of the Committee should have significant, recent and relevant financial experience.
- 1.3 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. (It is recommended that, where possible, the Chairman and members of the Committee should be rotated on a regular basis taking into account the benefits of continuity versus freshness of approach.)
- 1.4 The Board, on the recommendation of the Nomination Committee, shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- 1.5 The Committee may ask the Chairman, Chief Executive, Finance Director and any relevant member of senior management to attend meetings either regularly or by invitation, but the invitees have no right of attendance.
- 1.6 The Committee shall ask a representative of the external auditors and the internal auditor] to attend all meetings or part thereof, as required. The Committee should have at least one meeting, with the external auditor and internal auditor without executive Board members being present.

2. Secretary

- 2.1 The Company Secretary or his nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two. 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.

4. Frequency of Meetings

- 4.1 The Committee shall meet not less than three times a year and at such other times as the Chairman of the Committee shall require.
- 4.2 Meetings will be arranged to tie in with the publication of the Company's financial statements, allowing at least three working days prior to a Board Meeting where accounts or financial statements are to be approved.

4.3 Meetings can be requested by the external or internal auditor if they consider one is necessary.

5. Notice of Meetings

5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any member thereof.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and all other non-executive directors, no fewer than three working days prior to the date of the meeting.

6. Minutes of Meetings

6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

6.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.3 Minutes of Committee meetings shall be circulated to all members of the Committee and to all members of the Board.

7. Annual General Meeting

7.1 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

8.1 Internal control and Risk Assessment

8.1.1 The Committee shall monitor and keep under review the scope and effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks and shall ensure that it receives reports on a regular basis on such matters from the Company's internal auditor and risk manager.

8.1.2 The Committee shall review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management.

8.1.3 The Committee shall ensure that meetings of the Risk Management Committee are held regularly and that the minutes of its meetings are considered by the Committee.

8.2 Internal Audit

- 8.2.1 The Committee shall review applications for the post of and following consultation with the finance director, approve the appointment of the head of the internal audit function; any dismissal of the post holder should be considered by the Committee.
- 8.2.2 The Committee shall consider and approve the terms of reference of the internal audit function, and shall be advised of the planned programme of audits and the reason for any change or delay in the programme.
- 8.2.3 The Committee shall review the management of financial matters and focus upon the authority allowed to the internal auditor.
- 8.2.4 The Committee shall review promptly all reports on the Company from the internal auditor.
- 8.2.5 The Head of Internal Audit shall be given the right of direct access to the Chairman of the Committee.

8.3 External Audit

The Committee shall:

- 8.3.1 oversee the Company's relations with the external auditor;
- 8.3.2 consider and make recommendations on the appointment, reappointment and removal of the external auditor;
- 8.3.3 approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided;
- 8.3.4 assess the independence and objectivity of the external auditors annually;
- 8.3.5 discuss with the external auditor, before the audit commences, the nature and scope of the audit;
- 8.3.6 review with the external auditors, the findings of their work, including, any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved;
- 8.3.7 review the audit representation letters before consideration by the Board;
- 8.3.8 assess at the end of the audit cycle, the effectiveness of the audit process;
- 8.3.9 review and monitor the content of the external auditor's management letter; and
- 8.3.10 develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the auditor and ensure that the provision of such services does not impair the external auditor's independence or objectivity.

8.4 Financial Statements

- 8.4.1 The Committee shall keep under review the consistency of accounting policies both on a year to year basis and across the Company/Group.
- 8.4.2 The Committee shall review and challenge where necessary the Company's financial statements, financial review, interim reports and related formal statements before submission to and approval by, the Board and before clearance by the auditors, taking into account:
 - 8.4.2.1 critical accounting policies and practices and any changes in them;
 - 8.4.2.2 decisions requiring a significant element of judgement;
 - 8.4.2.3 the extent to which the financial statements are affected by any unusual transactions and how they are disclosed;
 - 8.4.2.3 the clarity of disclosures;
 - 8.4.2.4 significant adjustments resulting from the audit;
 - 8.4.2.5 the going concern assumption;
 - 8.4.2.6 compliance with accounting standards;
 - 8.4.2.7 compliance with stock exchange and other legal requirements; and
 - 8.4.2.8 reviewing the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company.

8.5 Reporting Responsibilities

- 8.5.1 The Committee or its Chairman shall meet formally with the Board of Directors at least three times a year to discuss such matters as the Annual Report and the relationship with the external auditors.
- 8.5.2 The Committee shall make whatever recommendations to the Board it deems appropriate and shall sign off a report to shareholders to be included in the Company's Annual Report and Accounts.

8.6 Other Matters

- 8.6.1 The Committee shall give due consideration to the requirements of the UK Listing Authority's Listing Rules.
- 8.6.2 The Committee shall review the co-ordination of the internal and external auditors.

- 8.6.3 The Committee shall review the Company's procedures for handling allegations from whistleblowers.
- 8.6.4 The Committee shall oversee any investigation of activities which are within its terms of reference.
- 8.6.5 The Committee should, on a regular basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.

9. Authority

The Committee is authorised:

- 9.1 to investigate any activity within its terms of reference;
- 9.2 to seek any information it requires from any employee of the Company in order to perform its duties;
- 9.3 to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference; and
- 9.4 to call any member of staff to be questioned at a meeting of the Committee as and when required.