

AUDIT COMMITTEE

Terms of Reference

1. Overall purpose / objectives / duties

The Audit Committee is appointed by the board of directors to assist the board in discharging its oversight responsibilities. The Audit Committee will oversee the financial reporting process, reviewing the balance, transparency and integrity of published financial information. The Audit Committee will also review: the company's internal financial control and risk management policies; the effectiveness of the internal audit function; the independent audit process including recommending the appointment or termination of the external auditor; the Company's process for monitoring compliance with applicable laws and regulations including those relating to financial reporting.

In performing its duties, the Committee will be expected to maintain effective working relationships with the board of directors, management, and the external and internal auditors. To perform his or her role effectively, each Committee member will need to develop and / or maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and an awareness of the Company's business, operations and risks.

The Committee should carry out the duties below in respect of the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

2. Authority

The Board authorises the Audit Committee, within the scope of its responsibilities, to:

- 2.1 Perform activities within the scope of its terms of reference.
- 2.2 Engage and approve compensation of independent counsel and other advisors, as it deems necessary to carry out its duties.

- 2.3 Ensure the attendance of Company officers at meetings as appropriate.
- 2.4 Have unrestricted access to members of management, and employees and to seek any information it requires from any employee of the Company in order to perform its duties.
- 2.5 Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
- 2.6 Consider and make recommendations to the Board to be put to shareholders for approval at the AGM in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if any auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 2.7 Call any member of staff to be questioned at a meeting of the Committee as and when required.

3 Organisation

Membership

- 3.1 The board of directors will appoint the Audit Committee members on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. The Chairman of the board shall not be a member of the Committee. The Chairman of the Audit Committee shall be appointed by the Board.
- 3.2 The Audit Committee will comprise at least three members and all members shall be independent (as defined in the Combined Code provision A.3.1) non-executive directors of the company. At least one member shall have recent and relevant financial experience.
- 3.3 A quorum of any meeting 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 or discretions vested in or exercisable by the Committee.

- 3.4 Members will be appointed for a three year term of office, which may be extendable for no more than two further three year periods, so long as members continue to be independent.
- 3.5 The secretary of the Audit Committee will be the company secretary, or such other person as appointed by the Audit Committee.

Meetings

- 3.6 Only Committee members are entitled to attend meetings. The Audit Committee may invite such other persons (eg the Chairman, CEO, CFO, Financial Controller, secretary, Head of Internal Audit and the external audit engagement partner) to its meetings, as it deems necessary.
- 3.7 The external auditors should be invited to attend meetings of the Audit Committee as appropriate and at least twice a year the Audit Committee should meet with external auditors without management present.
- 3.8 Regular meetings shall be held not less than four times a year and should correspond with the company's financial reporting cycle and otherwise as required.
- 3.9 Special meetings may be convened as required, upon a minimum of 24 hours' notice. The secretary will convene a meeting on receipt of a request by the external or internal auditors, or by any member of the Audit Committee.
- 3.10 The secretary shall circulate the agenda and supporting documentation to the audit committee members no less than 5 working days in advance of each meeting.
- 3.11 The secretary shall circulate the minutes of meetings to members of the Board, members of the Committee, (and the head of internal audit and the external auditor where

appropriate). The secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest in relation to any matter to be discussed at the meeting, bring them to the attention of the Committee and note them accordingly in the minutes.

- 3.12 The Committee shall receive reports or meet with in-house legal counsel on a regular basis. A meeting with outside legal counsel should be held if it is deemed necessary.

4. Roles and responsibilities

Internal Controls and Risk Management Systems

The Committee shall:

- 4.1 Monitor and review the Company's internal control and risk assessment and management policies and the integrity of management information systems.

In particular it will:

- evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk;
- review and approve the statements to be included in the annual report concerning internal controls and risk management.

Financial Reporting

- 4.2. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- 4.3. Oversee the periodic financial reporting process implemented by management and review the interim financial statements, annual financial statements and preliminary announcements, and any financial information contained in other documents required to be publicly released.
- 4.4 Review and challenge where necessary:
 - 4.4.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;
 - 4.4.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 4.4.3 whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 4.4.4 the clarity of disclosure in the company's financial reports and the content in which statements are made; and
 - 4.4.5 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);
- 4.5. Meet with management and the external auditors to review the financial statements, the key accounting policies and judgements, and the results of the audit.
- 4.6. Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.

- 4.7. Review all sections of the annual report and other public disclosures containing the Company's financial information.
- 4.8. Review and seek to resolve any financial reporting or accounting disagreements between management and the external auditor.
- 4.9. Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up actions.

Compliance with laws and regulations

- 4.10. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance or allegations of fraudulent acts and allegations of non-compliance with applicable laws and regulations.
- 4.11. Be satisfied that relevant legal and regulatory compliance matters, relating to the business of the Company have been considered with preparation of the financial statements.
- 4.12. Obtain regular updates from management and Company's legal counsel regarding compliance matters that may have a material impact on the Company's financial statements.
- 4.13. Review the findings of any examinations by regulatory agencies.

Working with auditors

External audit

- 4.14. Review the professional qualifications of the auditors (including background and experience of partner and auditing personnel).
- 4.15. Consider the independence of the external auditor and any potential conflicts of interest and relationships with the Company.

- 4.16. At least annually, obtain and review a report of the external auditor describing the auditor's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the auditor, or by any inquiry or investigation within the last five years, respecting one or more audits carried out by the auditor, and any steps taken to deal with any such issues. Review in the light of that report on an annual basis the performance of the external auditors.
- 4.17. Review the external auditors' proposed audit scope and approach for the current year in the light of the Company's present circumstances and changes in regulatory and other requirements.
- 4.18. Discuss with the external auditor any audit problems or difficulties encountered in the normal course of audit work, including any restriction on audit scope or access to information and review management's responses to any such issues.
- 4.19. Ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed and appropriately acted on.
- 4.20. Discuss with the external auditor the appropriateness of the accounting policies applied in the Company's financial reports.
- 4.21. Meet separately with the external auditors without management being present to discuss any matters that the committee or auditors believe should be discussed privately. Ensure the auditors have access to the chairman of the Audit Committee when required.
- 4.22. Review policies for the provision of non-audit services by the external auditor and where applicable the framework for pre-approval of audit and non-audit services.
- 4.23. Ensure the Company has appropriate policies regarding the hiring of audit firm personnel for senior positions after they have left the audit firm.
- 4.24. Monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level

of fees paid by the company compared to the overall fee of the firm, office and partner and other related requirements.

- 4.25. Approve the remuneration of the external auditor, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted.
- 4.26. Approve the terms of engagement of the external auditor, including any engagement letter issued at the start of each audit.
- 4.27. Review any representation letter(s) requested by the external auditor before they are signed by management.
- 4.28. Review the management letter and management's response to the auditor's findings and recommendations.

Internal audit

- 4.29. Review the activities, resources and organisational structure of the internal audit function and ensure that the function is free from management or other restrictions.
- 4.30. Approve the appointment, promotion or dismissal of the internal audit head and discuss with the external auditor the standard of work of internal audit staff.
- 4.31. Review the performance and effectiveness of the internal audit function in the context of the Company's overall risk management system and ensure that it has appropriate budget, staffing and standing within the company.
- 4.32. Periodically meet separately with the director of internal audit without management being present to discuss any matters that the Committee (or internal auditors where applicable) believe should be discussed privately. In addition, the Head of Internal Audit shall be given the right of direct access to the Chairman of the Board and to the Committee.
- 4.33. Ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed and appropriately acted on.

- 4.34. Review the proposed internal audit plan for the coming year considering key areas of risk, and review co-ordination with the external auditor.
- 4.35. Review promptly all reports on the Company from the internal auditors.

Reporting responsibilities

- 4.36. Through the Committee Chairman, report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 4.37. Ensure the preparation of any reports required by law or listing rules or requested by the Board, for example a report on the Audit Committee's activities and duties to be included in the section on corporate governance in the annual report.
The annual report should explain to shareholders, how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded.
- 4.38. Arrange for the Chairman of the Committee to attend the Annual General meeting prepared to respond to any shareholder questions on the Committee's activities.

Evaluating performance

- 4.39. Evaluate the Committee's own performance, both of individual members and collectively, on an annual basis.
- 4.40. Assess the achievement of the objectives specified in these terms of reference and report the findings to the Board.

Review of the Committee terms of reference

- 4.41. Review the Committee's terms of reference annually and discuss any required or recommended changes with the Board.
- 4.42. Ensure that amended terms of reference are approved by the Board.