

Terms of Reference of the Audit Committee (as adopted on 16 January 2009)

References to “the Committee” shall mean the Audit Committee.

References to “the Board” shall mean the full Board of Directors.

1. Membership

- 1.1 The members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee and shall comprise of a Chairman and at least 2 other members, all of whom are independent non-executive directors.
- 1.2 Whilst the Committee itself will be made up entirely of independent non-executive directors, other individuals eg executive directors and internal auditors may be invited to attend as and when appropriate but invitees will have no right of attendance. The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.
- 1.4 The Board shall appoint the Committee Chairman from its number 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 the members present to chair the meeting.
- 1.5 At least one member of the Committee shall have significant, recent and relevant financial experience.

2. Secretary

The Company Secretary shall act as the Secretary of the Committee.

3. Quorum

The quorum necessary for the transaction of business shall be 2 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.

4. Frequency of Meetings

- 4.1 The Committee shall meet not less than four times a year to consider, inter alia, the interim and annual report and accounts, such meetings to coincide with key dates in the Company’s financial reporting cycle. The Committee shall meet at such other times as the Chairman of the Committee shall require.
- 4.2 The Committee shall meet the head of external audit at least once a year, without management being present, to discuss their remit and any issues arising from the external audit carried out. In addition, the head of external audit shall be given the right of access to the Chairman of the Board and the Committee.
- 4.3 External auditors or internal auditors may request to meet with the Committee if they consider that a meeting is necessary.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chairman or any member thereof or at the request of external or internal auditors, if they consider it necessary.
- 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, any other person required to attend and all other non-executive directors, no fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to the Committee members and to such other attendees, as appropriate, at the same time.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording 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 promptly to all members of the Committee and, once agreed, all members of the Board.

7. Annual General Meeting

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

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate. It is noted for the avoidance of doubt that, in fulfilling its duties referred to in this paragraph 8, the Committee may rely on the information provided by, where appropriate, executives of the Company, its external auditor and its internal auditors.

8.1 Financial Statements

- 8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- 8.1.2 The Committee shall review and challenge where necessary:
 - 8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
 - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 8.1.2.4 significant adjustments resulting from the audit;

- 8.1.2.5 the clarity of disclosure in the Company's financial reports and the context in which statements are made;
- 8.1.2.6 all material information presented with the financial statements, such as the business review and the corporate governance statement (insofar as it relates to the audit and risk management);
- 8.1.2.7 the going concern assumption; and
- 8.1.2.8 compliance with stock exchange and other legal requirements.

8.2 Internal Control and Risk Management

The Committee shall:

- 8.2.1 review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- 8.2.2 monitor the integrity of the internal financial controls;
- 8.2.3 review the statement in the annual report and accounts on the Company's internal controls and risk management framework prior to endorsement by the Board; and
- 8.2.4 assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.

8.3 Whistle-blowing and Fraud

- 8.3.1 The Committee shall review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in 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.
- 8.3.2 The Committee shall review the Group's procedures for detecting fraud and ensure that arrangements are in place to independently investigate any such matters.

8.4 Internal Audit

The Committee shall:

- 8.4.1 consider applications for the post of and appoint the provider of the internal audit function who shall have direct access to the Chairman of the Committee. The Committee will, from time to time, consider the provision of the internal audit function by employees of the Group. The Committee shall also have the authority to dismiss the provider of the internal audit function.
- 8.4.2 in the event that the internal audit function is provided by a third party, their appointment shall be considered by the Committee at not less than five yearly intervals. The provisions of 8.5 below shall apply mutatis mutandis to the internal auditors.
- 8.4.3 consider and approve the terms of reference of the internal audit function. The Committee shall also ensure that the internal audit function is adequately resourced and has appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- 8.4.4 review the internal audit planning process, annual plan, terms of reference of planned internal audit reviews and internal audit fees;
- 8.4.5 receive reports on the results of the internal auditor's work on a periodic basis;

- 8.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 8.4.7 monitor and assess the role and effectiveness of the internal audit function; and
- 8.4.8 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of access to the Chairman of the Board and to the Committee.

8.5 External Audit

The Committee shall:

- 8.5.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, as regards the appointment and renewal of the Company's external auditors and shall ensure that key partners within the appointed firm are rotated from time to time. The appointment of the external auditors shall be considered regularly by the Committee and in any event at not less than five yearly intervals.
- 8.5.2 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.5.3 meet with the external auditors at least twice each year, once at the planning stage prior to the audit where the scope of the audit will be considered and once post audit at the reporting stage. Each member of the Committee may, at his discretion, meet or correspond with the external auditors, for the purposes of the Committee. The Committee may delegate the attendance at such meetings to one or more of its members.
- 8.5.4 oversee the relationship with external auditors including (but not limited to):
 - 8.5.4.1 the independence and objectivity of the external auditors;
 - 8.5.4.2 the consideration of the terms of engagement and audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities;
 - 8.5.4.3 discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made vis-à-vis the Company's internal auditing standards;
 - 8.5.4.4 agree with the Board a policy on the employment of former employees of the Company's auditor and agree with the Company's auditor a policy on the employment of former employees of the Company, and then monitor the implementation of these policies;
 - 8.5.4.5 monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners and the level of fees paid by the Company; and
 - 8.5.4.6 assess annually their qualifications, expertise and resources and the effectiveness of the audit process.
- 8.5.5 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.5.6 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; key accounting and audit judgements; levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted;

- 8.5.7 assess, at the end of the audit cycle, the effectiveness of the audit process;
- 8.5.8 ensure that the auditor's management letters and management's responses are reviewed;
- 8.5.9 review the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues; and
- 8.5.10 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.

8.6 **Reporting Responsibilities**

- 8.6.1 The Committee shall prepare a report for inclusion in the annual report and accounts, specifically including:
 - a summary role of the Committee;
 - the names and qualifications of all members of the Committee in the period;
 - the number of Committee meetings and attendance by each member; and
 - the way the Committee has discharged its responsibilities.
- 8.6.2 The Committee or its Chairman shall meet formally with the Board of Directors at least once a year to discuss such matters as the Annual Report and the relationship with the external auditors.
- 8.6.3 In the light of its other duties, the Committee shall make whatever recommendations to the Board it deems appropriate and shall compile a report to shareholders on its role and responsibilities and the actions it has taken to discharge those duties to be included in the Company's Annual Report and Accounts.

8.7 **Other Matters**

The Committee shall:

- 8.7.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.7.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 8.7.3 give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate;
- 8.7.4 be responsible for co-ordination of the internal and external auditors.
- 8.7.5 oversee any investigation of activities which are within its terms of reference and to give the final determine action in relation to any questions or issues arising from those activities.
- 8.7.6 on a regular basis, review its own performance, constitution, terms of reference and terms of reference to ensure it is operating at maximum effectiveness.

9. Statutory Obligations

In exercising their rights and duties as the Committee, the Committee and its members shall have regard to the duties of a director, the Board and its Committees set out in the Companies Act 2006.

10. Authority

The Committee is authorised:

- 10.1 to seek any information it requires from any employee of the company in order to perform its duties and all employees are directed to co-operate with any request made by the Committee;
- 10.2 to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference and to secure the attendance of such advisers if it considers such attendance necessary;
- 10.3 to call any employee to be questioned at a meeting of the Committee as and when required.