



BOARD AUDIT COMMITTEE

TERMS OF REFERENCE

(Adopted by the board on 1 December 2008 to become effective 1 January 2009)

Constitution

1. There shall be a committee of the board to be known as the Audit Committee (the committee)
2. The committee shall comprise wholly of independent non-executive directors.. The committee will appoint one of its members to act as chairman. The chairman of the company may not be chairman of the committee.
3. The company secretary shall act as secretary for the committee and shall keep appropriate minutes of its proceedings. Minutes of the meeting will be circulated to all members of the board and, if the committee so chooses, to the auditor. The chairman of the committee shall ascertain at the beginning of the meeting the existence of any conflict of interest and arrange for them to be minuted accordingly. Where there is such a conflict, the member shall not participate in deliberations and decisions and in appropriate cases shall on request, withdraw from the meeting to enable discussions to take place in their absence. For the purposes of a quorum, the member shall not be counted.
4. Only members of the committee are entitled to be present at committee meetings but other individuals, including executive directors and external auditors, may attend at the invitation of the committee. However, the committee will have the right to require that executive directors, the company secretary and other executives withdraw from the meeting to enable discussions to take place in their absence.
5. The quorum shall be two members, both of whom must be independent non-executive directors. 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.
6. The committee will meet at such times as any member shall require but as a minimum twice a year.
7. The auditor or the committee may request a private meeting, without any executive being present, if either consider that one is necessary.
8. The committee is authorised by the board, at the company's expense, to obtain independent professional advice relevant to its duties or to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. This authority is subject only to the requirement that independent advice is sought at a reasonable cost commensurate with the matter under review.

Duties

9. The committee's duties are:

External audit

- 9.1 To consider and make recommendations to the Board, for it to put to shareholders for approval at the annual general meeting on the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for new auditor and if an auditor resigns, the committee shall investigate the issues leading to this and decide whether any action is required.
- 9.2 To oversee the relationship with the external auditor, including:
- (a) the approval of their remuneration for audit and non audit services and ensure that the level of fees are appropriate to enable an adequate audit to be conducted;
 - (b) the approval of their terms of engagement;
 - (c) the approval of the proposed scope of the audit coverage and range of work to be carried out, the results of the audit and its cost effectiveness;
 - (d) regular reviews of the nature and extent of non audit work. Annually assessing the auditors independence and objectivity;
 - (e) meeting regularly with the auditor and to meet at least once a year without management being present; and
 - (f) the review and approval of the annual audit plan and of findings of the audit with the auditor.

Financial reporting

- 9.3 To review and monitor the integrity of the financial statements of the company, including its half-year and annual financial statements prior to their publication and any other formal statement relating to its financial performance.
- 9.4 The committee shall review and challenge where necessary:
- (a) any change in the group's accounting policies and the reasons and the effects of the changes;
 - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (c) any areas where judgements have been made which are significant in relation to the published accounts;
 - (d) major judgmental areas including alternative accounting treatments, the appropriateness and the ramification of their use;
 - (e) the clarity of disclosure in the company's financial reports;
 - (f) the degree of conformity with SSAP's generally followed in similar companies;
 - (g) any sensitive reporting or accounting practices;
 - (h) the nature of and basis of any material accruals, reserves and estimates, made at either the financial or half year-end;
 - (i) any significant adjustments arising from the audit;
 - (j) any alternative methods of disclosure;

- (k) the going concern assumption;
- (l) compliance with accounting standards;
- (m) compliance with stock exchange and legal requirements; and,
- (n) compliance with best practice in the areas of corporate governance.

- 9.5 To consider problems and reservations arising from the interim and the final audit and any matters which the auditor may wish to raise.
- 9.6 The committee will review management letters arising from the final and interim audits or reviews and consider the group's response.
- 9.7 In reaching their decisions, the Committee shall have regard to the codified directors' duties contained in the Companies Act 2006.

Risk management and internal audit

- 9.8 The committee will keep under review the effectiveness of the group's internal control systems (including financial, operational and compliance controls and risk management). It will consider statements from management on its monitoring of the system of internal control, review the company's statement on internal control systems prior to endorsement by the board and will make recommendations to the board regarding the effectiveness of the group's internal control systems.
- 9.9 The committee will approve the appointment and removal of the head of internal audit function. It will consider and approve the remit of the internal audit function, ensure that it has adequate resources and appropriate access to information to enable it to function effectively. It will review all reports from the internal auditor. The committee will meet the internal auditor at least once a year, without management being present, to discuss the remit and any issues arising from the internal audits carried out.

Serious concerns policy

- 9.10 The committee shall review the company's arrangements for its employees to raise concerns, in confidence, about possibility wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matter and appropriate follow up action.

Other matters

- 10. 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 will be directed by the board to co-operate with any request made by the committee. Where the committee reviews any matter or document or investigates any activity pursuant to those Terms of Reference, it will provide such report or make such recommendations to the board as it deems appropriate in order to keep the board properly informed.

11. The committee should consider any other topics referred to it.
12. The committee shall give the 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.