

#### AUDIT COMMITTEE – TERMS OF REFERENCE

1. The Board has resolved to establish a Committee of the Board to be known as the Audit Committee and reserves the authority to appoint or remove the Committee Chairman or any of its members.
2. Its membership consists of at least three independent non-executive directors, one of whom the Board considers has recent and relevant financial experience. The Chief Financial & Operations Officer is expected to attend. Representatives from the Company's external auditors and the Company's internal audit, tax, treasury and risk functions will be invited to attend part or the entire meeting on a regular basis. The Chairman of the Company and any other director may attend if they wish. A quorum for meetings of the Committee shall be two members.
3. The Company Secretary or the Committee's nominee shall act as secretary to the Committee.
4. The Committee shall meet on at least four occasions in the year. Two meetings shall coincide with consideration of the half-year and full-year results announcements. Meetings may be called by any member of the Committee or the Committee Secretary. On at least two occasions per annum the Committee shall meet with the Company's external auditor without executive directors present. The Committee shall also meet with the Company's Head of Internal Audit on at least two occasions per annum without executive directors present.
5. 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.
6. 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 fully with any request made by the Committee.
7. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board upon request.
8. The Chairman of the Committee shall attend the company's annual general meeting and will be available to respond to questions about the work of the Committee.
9. The Committee is authorised by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
10. The duties of the Committee shall be:
  - (a) 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. In particular to review the half-year and annual financial statements and associated reports before submission to the Board focusing on:
    - any changes in accounting policies and practices
    - major judgmental and risk areas
    - significant adjustments resulting from the audit

- the going concern assumption
  - compliance with accounting standards
  - compliance with appropriate UK and overseas listing and legal requirements
  - the avoidance of inaccurate or misleading information;
- (b) to review the Company's procedures for detecting fraud.
- (c) to review and monitor the Company's internal control, financial reporting, accounting policies and procedures, and risk management systems. The Committee should also review the Company's statements on Internal Control before they are agreed by the Board for inclusion in the Company's Annual Report and Accounts;
- (d) to make recommendations to the Board, for approval in general meeting, in respect of matters relating to:
- the appointment or
  - re-appointment or
  - removal of the external auditor;
- (e) to approve the remuneration and terms of engagement of the external auditor;
- (f) to discuss and agree with the external auditor before the audit commences the nature and scope of the audit and to approve the audit plan;
- (g) to discuss problems and reservations arising from the work of the external auditor and to review the auditor's management letter and management's response;
- (h) to keep under review the overall financial relationship between the Company and its external auditor and in particular to monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- (i) to ensure that there are no unsettled issues of significance between management and the external auditor which could affect the underlying accuracy of the Company's financial reporting;
- (j) to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant corporate governance best practice guidance regarding the provision of non-audit services by the external audit firm;
- (k) to review the Company's arrangements by which employees may in confidence raise concerns about possible business, financial or other improprieties. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (l) to review Internal Audit and its relationship with the external auditor;
- (m) to approve the appointment or termination of the Head of Internal Audit; and

- (n) to review and assess the annual internal audit plan.
11. The Company shall maintain an internal auditing function for the Group. The Committee shall monitor and review the effectiveness of the Company's internal audit function at least annually. The duties of the Head of Internal Audit shall include:
- (a) reviewing any aspect of the business of the Group according to a programme approved by the Audit Committee or as directed by the Chairman of the Committee, the Chief Executive Officer or Chief Financial & Operations Officer ("an approved audit");
  - (b) to report to the Committee on matters which are the subject of an approved audit, or are of a material nature; and
  - (c) reporting back to the Committee the progress made in implementing any internal audit recommendations.
12. In order for the Head of Internal Audit to perform his function effectively:
- (a) the Chief Financial & Operations Officer shall ensure that the Head of Internal Audit has unfettered access to the Company's records and staff as required in order to carry out any approved audit;
  - (b) the Head of Internal Audit will have unfettered access to the Chairman of the Board and to the Committee; and
  - (c) The Head of Internal Audit will routinely update the Executive Committee on Internal Audit matters.
13. The Committee shall 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 as required.
14. The Committee shall consider, and if necessary, prepare a report for shareholders for inclusion in the Company's Annual Report and Accounts.