

AUDIT COMMITTEE

TERMS OF REFERENCE

1. Membership

- 1.1 The Committee shall be appointed from time to time by the Board from amongst its non-executive directors.
- 1.2 The Committee shall be made up of at least three non-executive directors, at least one of whom will have competence in accounting or auditing or both. The members as a whole must have competence relevant to the sector the Company operates in.
- 1.3 The quorum shall be any two members, one of whom shall be the Chairman of the Committee.
- 1.4 The Chairman of the Committee shall be appointed by the Board.
- 1.5 The Company Secretary or their nominee shall act as secretary to the Committee.

2. Duties

Financial reporting

- 2.1 To review and challenge where necessary the half-year and annual financial statements focusing particularly on:
 - any changes in accounting policies and practices;
 - major judgemental areas;
 - significant adjustments and any unadjusted errors resulting from the audit;
 - the going concern assumption;
 - compliance with accounting standards;
 - all material information presented in the annual and interim reports insofar as it relates to the audit and risk management and the clarity of those disclosures in the context in which they are made.
- 2.2 To review other statements containing financial information where practical (without being inconsistent with any requirement for prompt reporting under the Listing Rules and Disclosure guidance and transparency rules).

External audit

- 2.3 To consider and make recommendations to the Board regarding the appointment of the external auditor, the audit fee, terms of business for audit and tax engagements and any questions of resignation or dismissal of the external auditor.
- 2.4 To review and monitor the external auditor's independence and objectivity in accordance with any relevant legislation.
- 2.5 To discuss and agree with the external auditor the nature and scope of the audit.
- 2.6 To discuss matters arising from the interim and final audits and any other matters the external auditors may wish to raise.
- 2.7 To review the external auditor's management letter and management's response.
- 2.8 To assess, at the end of the audit cycle, the effectiveness of the audit process
- 2.9 To develop and review on an ongoing basis a provision of non-audit services policy.
- 2.10 To review and approve any proposal by management for the supply of non-audit services by the external auditors, in line with the non-audit services policy and taking into account any relevant ethical guidance on the matter.

Internal audit

- 2.11 To review and approve the internal audit programme carried out by group finance;
- 2.12 To receive reports on the results of the internal audit work;
- 2.13 To review and monitor management's responsiveness to the internal audit findings
- 2.14 To review the adequacy of internal audit resources and consider on an annual basis whether the group needs a full time, independent internal audit function.

Internal control and risk management

- 2.15 To review the effectiveness of Group internal controls and risk management systems.
- 2.16 To review the company's procedure for detecting fraud.
- 2.17 To review the appropriateness of the company's whistleblowing policy.

Other

- 2.18 To consider other topics as defined by the Board.
- 2.19 To at least once a year review its own performance, constitution and terms of reference to ensure it is operating to maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

3. Authority

- 3.1 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.
- 3.2 The Committee is authorised to obtain expert advice or to invite any other director, or professional advisor to attend meetings. In the event the Committee decides to incur expenditure in obtaining professional advice, the Chairman and or Chief Executive shall be advised in advance and the Company Secretary shall be consulted and shall assist in preparing instructions and settling the basis for calculating advisors' fees.

4. Meetings

- 4.1 Meetings should be held at least three times a year. The external auditor may request a meeting if they consider that one is necessary.
- 4.2 The Finance Director and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external auditors without executive Board members being present.
- 4.3 Other Board members are invited to attend as appropriate.

5. Minutes of Meetings

- 5.1 The Secretary shall minute the proceedings of all Committee meetings, including the name of those present and in attendance.
- 5.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board, unless conflict of interest exists.

6. Reporting Responsibilities

- 6.1 Where necessary, in cases where certain Board members are not present at Audit Committee meetings as attendees, the Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities including any significant issues that it considered in relation to the financial statements and how these issues were addressed.
- 6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 6.3 The Committee Chairman shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. Such a report should specifically include:
 - a summary of the role of the Audit Committee;

- the names of all members of the Audit Committee during the period;
- the number of Audit Committee meetings and attendance by each member; and
- the way the Audit Committee has discharged its responsibilities, including the significant issues that it considered in relation to the financial statements and how these issues were addressed.
- how it assessed the effectiveness of the external audit process, the approach taken to the appointment/ re-appointment of the external auditor, the length of tenure, date of the last audit tender and advance notice of any retendering plans.
- if the external auditor provided non-audit services an explanation of how independence was maintained.

6.4 The Committee Chairman should be available to attend the AGM to respond to any shareholder questions relating to the Committee's activities and to put to the shareholders the external auditor's appointment, re-appointment or removal.