

Audit Committee

Terms of Reference

N.B. Reference to “the Committee” shall mean the Audit Committee. Reference to “the Board” shall mean the Board of Directors.

1. Membership

- Members of the Committee shall be appointed by the Board, in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least three members.
- The Board shall appoint the Committee Chairman. In the Committee Chairman’s absence, the remaining members present shall elect one of themselves to chair the meeting.
- All members of the Committee shall be non-executive directors at least one of whom should have relevant financial experience.
- Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as the Chief Executive and the Finance Director may be invited to attend all or part of any meeting as and when appropriate.
- The external auditors will be invited to attend the Committee meetings on a regular basis.

2. Secretary

- The company secretary or their nominee shall act as the secretary to the Committee.

3. Quorum

- The quorum necessary for the transaction of business shall be two members either in person or by telephone. 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

- The Committee shall meet usually in January and August and otherwise as required.

5. Notice of Meetings

- Meetings of the Committee shall be called by the secretary of the Committee. Additional meetings may be requested by its members or at the request of the external auditor if they consider it necessary.
- Unless agreed by all members of the Committee, notice of the meeting confirming the venue, date and time along with supporting papers and an agenda, will be provided to all members of the Committee and any other person required to attend no later than five working days prior to the meeting date.

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6. Minutes of Meetings

- The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those attending, the discussions ensuing and the decisions/conclusions reached, demonstrating that the Committee is meeting its obligations.
- The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- Minutes of the Committee shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless it would be inappropriate to do so.

7. Annual General Meeting

- The Chairman of the Committee shall attend the Annual General Meeting and at the invitation of the Chairman of the meeting be prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

The Committee shall carry out the duties below for the group as a whole.

8.1 Financial Reporting

- The Committee shall monitor the integrity of the financial statements of the Company, including annual and interim reports, preliminary results' announcements and other formal announcements relating to financial performance, reviewing significant financial reporting issues and judgements which they contain.
- The Committee shall review and challenge where necessary:
 - the consistency of, and any changes to, accounting policies both on a year on year basis and across the group;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - all material information presented with the financial statements, such as any statements as these relate to audit, risk management, internal control and governance.

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8.2 Internal Controls and Risk Management Systems

The Committee shall:

- keep under review the effectiveness of the Company's internal controls and risk management systems;
- approve an annual work plan to address internal control effectiveness and review actual progress relative to the approved plan. Significant changes to the plan should be approved by the Committee;
- approve the risk management processes and at least annually review the group's risk registers to ensure that material risks have been identified and addressed with suitable action plans; and
- review and approve the statements to be included in the annual report concerning internal controls, risk management and corporate governance.

8.3 Whistleblowing

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoings 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. The Committee shall review the Company's procedures for detecting fraud.

8.4 External Audit

The Committee shall:

- 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 auditors. The Committee shall oversee the selection process for a new auditor. If the auditor resigns, the Committee shall investigate the issues which led to this and determine whether any action is required.
- oversee the relationship with the external auditor, including (but not limited to):
 - approval of audit fees, ensuring that the level of audit fee is appropriate to enable an adequate audit to be conducted;
 - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business).
 - assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services; and

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- assessing annually their qualifications, expertise and resources and the overall effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
- meet regularly with the external auditors, including once at the planning stage before an audit and once at the reporting stage. The Committee should meet the external auditors at least once a year without management being present, to discuss the auditor's remit and any issues arising from the audit.
- review and approve the external audit plan.
- review the findings of the external audit, including a discussion with the auditors of any major issues which arose during the audit, any accounting/audit judgements, the level of errors detected and the effectiveness of the audit.
- review any representation letter(s) requested by the external auditor before they are signed by management.
- review the management letter and management's response to the auditor's findings and recommendations.
- develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

8.5 Reporting Responsibilities

- The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.6 Other Matters

The Committee shall:

- have access to sufficient resources in order to carry out its duties effectively, including the provision of relevant training;
- be responsible for co-ordination of the external auditor.
- give due consideration to laws and regulations; and
- at least once a year review its own performance and terms of reference and recommend any changes it considers necessary to the Board for approval.

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8.7 Authority

- The Committee is authorised to investigate any activity within its remit, seeking the information it requires from any member of the group.
- The Committee is authorised to obtain, at the Company's expense, any internal or external professional advice or assistance that it requires to carry out its remit.
- The Committee has no executive powers.

As approved by the Board on 28th January 2011