

Terms of Reference of the Audit Committee

Constitution

1. The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee.

Membership

2. The Committee shall be appointed by the Board. All members of the Committee shall be independent Non Executive Directors of the Company. The Committee shall consist of not less than two members. A quorum shall be two members.
3. The Chairman of the Committee shall be appointed by the Board from amongst the independent non executive directors.

Attendance at Meetings

4. The Finance Director, Group Financial Controller, the Head of Internal Audit and representatives of the external auditors shall attend meetings at the invitation of the Committee.
5. The Chairman, Chief Executive or other Board members shall attend by invitation of the members of the Committee.
6. There should be at least one meeting a year, or part thereof, where the external auditors attend without executive Board members present.
7. The Company Secretary shall be secretary of the Committee.

Frequency of Meetings

8. Meetings shall be held not less than three times a year, to coincide with key dates in the Company's financial reporting cycle.
9. External auditors may request a meeting normally through the chair if they consider that one is necessary to consider urgent issues.

Authority

10. The Committee is authorised by the Board to
 - (i) investigate any activity within its terms of reference
 - (ii) seek any information that it requires from any employee of the Company and all employees are directed to co-operate with any request made by the Committee
 - (iii) obtain outside legal or independent professional advice and such advisors may attend meetings as necessary

Duties

11. The duties of the Committee shall be:
- (i) to consider the appointment of the external auditor and assess the independence of the external auditor, ensuring that key partners are rotated at appropriate intervals;
 - (ii) to oversee the process for selecting the external auditor and make appropriate recommendations to the shareholders for ratification at the following AGM;
 - (iii) to approve the audit fee, to preapprove any of non audit services provided by the external auditor in accordance with the board's policy and to ensure that the provision of non audit services does not impair the external auditors independence or objectivity;
 - (iv) to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditors quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
 - (v) to review the external auditor's management letter and management's response;
 - (vi) to review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
 - (vii) to consider management's response to internal audit recommendations made either through the internal audit function or external auditors;
 - (viii) to consider and if appropriate ratify the appointment or dismissal of Head of Internal audit;
 - (ix) to review treasury policy including foreign exchange exposure;
 - (x) to oversee the management's implementation of systems for financial control, financial reporting and risk management;
 - (xi) to review, and challenge where necessary, the actions and judgements of management, in relation to the half year and annual financial statements before submission to the auditors and Board, paying particular attention to:
 - a. critical accounting policies and practices, and any changes in them
 - b. decisions requiring a major element of judgement
 - c. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
 - d. the clarity of disclosures
 - e. significant adjustments resulting from the audit
 - f. the going concern assumption
 - g. compliance with accounting standards
 - h. compliance with stock exchange and other legal requirements

- i. reviewing the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company;
- (xii) to receive reports from management on any circumstances regarding significant fraud, misappropriation of assets or unethical behaviour which could lead to significant financial loss.
- (xiii) to consider other topics, as defined by the Board.

Reporting Procedures

- 12. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, and the Chairman of the Committee shall, as a minimum, attend the Board meeting at which the accounts are approved.
- 13. The Committee members shall conduct an annual review of their work.
- 14. The duties and results of the Committee's activities during the year shall be disclosed in the annual financial statements.
- 15. The Chairman shall attend the AGM and shall answer questions, through the chairman of the Board, on the audit Committee's report and their responsibilities.

Updated January 2009