

AUDIT COMMITTEE

Terms of Reference

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 in consultation with the chairman of the Audit Committee.
3. All members of the committee shall be independent non-executive directors of the company, excluding the chairman of the company.
4. The chairman of the committee shall be appointed by the board from amongst the independent non-executive directors.
5. The committee shall consist of not less than three members. At least one member should have significant, recent and relevant financial experience. A quorum shall be two members. In the absence of the chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
6. Appointments to the committee should be for a period up to three years, extendable by no more than two additional three year periods, so long as the members continue to be independent.

Attendance at meetings

7. The finance director, head of internal audit and a representative of the external auditors shall attend meetings at the invitation of the committee.
8. The chairman of the board, the chief executive, and other board members shall only attend if invited by the committee.
9. There should be at least one meeting a year, or part thereof, where the external and internal auditors attend without management present.
10. The company secretary or a nominee shall be the secretary of the committee.

Meetings

11. Meetings shall be held not less than twice a year, and at such other times as the chairman shall require, and where appropriate should coincide with key dates in the company's financial reporting cycle.
12. Meetings may be called by any member of the committee or by the secretary. External auditors or internal auditors may request a meeting if they consider that one is necessary.

13. The committee or its chairman shall meet with the board at least once a year to discuss such matters as fall within the remit of the committee's responsibility.
14. Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member prior to the date of the meeting.

Authority

15. The committee is authorised by the board to:
 - 15.1 investigate any activity within its terms of reference;
 - 15.2 seek any information that it requires from any employee of the company and all employees are directed to cooperate with any request made by the committee; and
 - 15.3 obtain outside legal or independent professional advice at the company's expense, such advisors being permitted to attend such meetings as necessary.

Responsibilities

16. The responsibilities of the committee shall be:
 - 16.1 to oversee the process for appointing, reappointing and removing the external auditor and make appropriate recommendations through the board to the shareholders to consider at the Annual General Meeting;
 - 16.2 to assess the qualifications, expertise, resources, effectiveness and independence of the external auditor annually, ensuring that key partners are rotated at appropriate intervals and to obtain a report on the auditor's own internal quality control procedures;
 - 16.3 to approve the external auditor's terms of engagement and recommend the audit fee to the board;
 - 16.4 to review the external auditors' management letter and management's response;
 - 16.5 in the event that an external auditor resigns, to investigate the issues giving rise to the resignation and consider whether any action is required;
 - 16.6 to preapprove any fees in respect of non-audit services provided by the external auditor and ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity;
 - 16.7 to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
 - 16.8 to assess the effectiveness of the audit process at the end of each annual audit cycle;
 - 16.9 to monitor and review the internal audit programme, including:

- a. ensure that the head of internal audit has direct access to the board chairman and to the audit committee and is accountable to the audit committee;
 - b. receive a report on the results of the internal auditors' work on a periodic basis; and
 - c. the right to require the internal auditor to report on any specific matter or matters of concern;
- 16.10 to approve the appointment or dismissal of the head of internal audit;
- 16.11 to consider management's response to any major external or internal audit recommendations;
- 16.12 to review management's and the internal auditor's reports on the scope and effectiveness of systems for internal financial control, financial reporting and risk management;
- 16.13 to review information related to 16.12 in the financial statements, the operating and financial review and corporate governance statements, relating to audit and risk management;
- 16.14 to review, and challenge where necessary, the actions and judgements of management in connection with the preparation of the company's financial statements, interim reports, preliminary announcements and related formal statements, 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 strengths 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; and
 - 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;
- 16.15 following the review in 16.14, if the committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the board;
- 16.16 to review the company's procedures for handling allegations from whistleblowers;
- 16.17 to consider other topics, as defined by the board.

Reporting procedures

17. The secretary shall keep appropriate records of all meetings of the committee with appropriate minutes of the proceedings and resolutions. Any conflicts of interest should be ascertained at the start of each meeting and minuted.
18. Copies of the minutes of the meetings shall be circulated to all members of the board and to the chairman of the committee.
19. The chairman of the committee or, as a minimum, another member of the committee, shall attend the board meeting at which the financial statements are approved.
20. The committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the board.
21. The role and responsibilities of the audit committee and the actions taken by the committee to discharge those responsibilities shall be set out in a separate section of the directors' report. In the event of the board rejecting the committee's recommendation for the appointment, reappointment or removal of an external auditor, the committee and the board shall explain their respective positions in the directors' report.
22. The chairman of the audit committee shall attend the Annual General Meeting and shall answer questions, through the chairman of the board, on the audit committee's responsibilities, activities and report.