



Website Terms of Reference - Audit Committee

1. Constitution

The Board resolved to establish a Committee of the Board to be known as The Audit Committee on 4th April 1997. The Terms of Reference were revised on 5th May 2011.

2. Membership

- 2.1. The membership of the Audit Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Audit Committee chairman. The membership of the Audit Committee shall consist of at least three Directors, all of whom shall be independent non-executive Directors.
- 2.2. The Board shall ensure that at least one member of the Audit Committee has recent and relevant financial experience. The chairman of the Board shall not be a member of the Committee.
- 2.3. Subject to the normal periodic re-election of Directors, the members of the Audit Committee shall serve for an initial term of up to three years. The appointment may be extended for further periods of up to three years provided the director still meets the criteria for membership of the Committee.

3. Quorum

A quorum shall be two members of the Committee. 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. Chairman

The chairman of the Audit Committee will be appointed by the Board from amongst the independent non-executive Directors. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

5. Attendance

- 5.1. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chairman of the Board, chief executive, finance director, other directors and representatives from the finance function Page 2 of 6 may be invited to attend all or part of any meeting as and when appropriate and necessary.

- 5.2. The external auditor will be invited to attend meetings of the Committee on a regular basis. At least once a year the Audit Committee shall meet with the external auditor without executive Board members present.
- 5.3. The Company Secretary shall be the Secretary of the Committee and shall attend all of its meetings.

6. Frequency of Meetings

- 6.1. The Audit Committee chairman shall, in consultation with the Company Secretary, decide the frequency and timing of the Audit Committee meetings and in particular allow for a sufficient interval between meetings of the Audit Committee and meetings of the Board to permit any work arising from the Audit Committee to be carried out and reported to the Board as appropriate.
- 6.2. Meetings shall be held as and when requested to handle specific matters and at regular intervals to deal with routine matters. The external auditors may request a meeting if they consider one is necessary. The Audit Committee will meet at least three times per year.

7. Authority

- 7.1. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference as set out below. It is authorised to seek any information it requires from any employee or director of the Company and all employees are directed to co-operate with any request made by the Audit Committee.
- 7.2. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

8. Duties

The duties of the Audit Committee are:

8.1. Financial reporting

- 8.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

- 8.1.2. In particular, the Committee shall review and challenge where necessary:
 - 8.1.2.1. the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/group;
 - 8.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.1.2.3. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 8.1.2.4. the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - 8.1.2.5. all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

8.2. Internal controls and risk management systems

The committee shall:

- 8.2.1. keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- 8.2.2. review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.3. Compliance, whistleblowing and fraud

The committee shall:

- 8.3.1. review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing 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;
- 8.3.2. review the Company's procedures for detecting fraud; and
- 8.3.3. review the Company's systems and controls for the prevention of bribery.

8.4. Internal audit

The committee shall

- 8.4.1. consider annually whether an internal audit function is required and make a recommendation to the Board accordingly.

8.5. External Audit

- 8.5.1. 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 auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.5.2. oversee the relationship with the external auditor including (but not limited to):
 - 8.5.2.1. recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - 8.5.2.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.5.2.3. assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 8.5.2.4. 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);
 - 8.5.2.5. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - 8.5.2.6. assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;

- 8.5.3. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.5.4. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.5.5. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 8.5.5.1. a discussion of any major issues which arose during the audit;
 - 8.5.5.2. any accounting and audit judgements;
 - 8.5.5.3. levels of errors identified during the audit; and
 - 8.5.5.4. the effectiveness of the audit.

The Committee shall also

- 8.5.6. review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.7. review the management letter and management's response to the auditor's findings and recommendations;
- 8.5.8. 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.

9. Reporting responsibilities

- 9.1. The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 9.3. The Committee shall produce a report on its activities to be included in the Company's annual report.

10. Other matters

The Committee shall

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;

- 10.2. 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;
- 10.3. give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate;
- 10.4. oversee any investigation of activities which are within its terms of reference;
- 10.5. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. Authority

- 11.1. to seek any information it requires from any employee of the company in order to perform its duties;
- 11.2. to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 11.3. to call any employee to be questioned at a meeting of the Committee as and when required;
- 11.4. to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

12. Reporting Procedures

- 12.1. The Secretary of the Committee shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 12.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so. A summary of the Audit Committee's work, including reference to examination of the annual accounts, shall be included each year in the Company's annual report.
- 12.3. The chairman of the Audit Committee shall be available at the Annual General Meeting to answer questions on the Audit Committee's activities.