

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

NOVEMBER 2011

1. OBJECTIVES

The Audit Committee (the “Committee”) is a sub-committee of the Board with delegated responsibility to:

- 1.1. Assist the Board in meeting its responsibilities in ensuring an effective system of internal control and compliance and accurate external financial reporting, including the Board's obligations prescribed by law and under the UK Corporate Governance Code, the Listing Rules Prospectus and Disclosure and Transparency Rules.
- 1.2. Oversee, review and monitor the way in which management conduct and report on the effective risk management of the Group's activities.

2. MEMBERSHIP

- 2.1. The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee. The members of the Committee are:
 - David Lowden (Chairman);
 - Penny Hughes; and
 - Clive Butler.
- 2.2. All members of the Committee shall be independent non-executive directors and at least one member must have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 2.3. The members of the Committee will serve at the discretion of the Board and may be removed by the Board. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.
- 2.4. The Chair of the Committee shall be appointed by the Board. In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.
- 2.5. Only members of the Committee have the right to attend Committee meetings. However other individuals may be invited to attend all or part of any meeting, as and when appropriate or necessary.
- 2.6. The External auditor will be invited to attend meetings of the Committee on a regular basis. The Committee shall meet with the external auditors without executive management of the Company present at least once a year and otherwise where appropriate.
- 2.7. All members of the Board shall be invited to attend those items at the Audit Committee dealing with the consideration and approval of full and half-year results and otherwise where appropriate.

3. SECRETARY

- 3.1. The Company Secretary or his nominee shall be the Secretary of the Committee unless the Committee determines otherwise.

4. QUORUM

- 4.1. 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.

5. FREQUENCY OF MEETINGS

- 5.1. Meetings of the Committee shall be called by the Secretary and shall be held not less than four times a year. In any event, meetings will be held prior to the announcement of any results. The Chair of the Committee may call additional meetings if necessary, either at his/her own discretion or upon the request of other members of the Committee. The external auditors or the internal auditors may request a meeting if they consider one is necessary.

6. NOTICE OF MEETINGS

- 6.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member thereof.
- 6.2. Unless otherwise agreed, 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 of the Committee and any other person required to attend no fewer than four working days in advance of meetings. Supporting papers shall be sent to Committee members, and to other attendees as appropriate, at the same time. The members of the Committee can waive this requirement if all consent. The agenda for meetings shall be determined by the Chair of the Committee in consultation with other members of the Committee, as appropriate.

7. MINUTES OF MEETINGS

- 7.1. The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2. Minutes of Committee meetings shall be circulated to all members of the Committee and, once agreed, shall be made available, if requested, to other members of the Board unless a conflict of interest exists. Minutes will be tabled for approval at the next subsequent meeting.

8. ANNUAL GENERAL MEETING

- 8.1. The Chair of the Committee shall attend the AGM and answer any questions, through the Chair of the Board on the Committee's activities and their responsibilities.

9. ANNUAL FINANCIAL STATEMENTS

9.1. The Committee's membership, duties and activities during the year should be disclosed in the annual financial statements. Such a report should specifically include:

- a) A summary of the role of the Audit Committee;
- b) The names and qualifications of all members of the Audit Committee during the period;
- c) The number of Audit Committee meetings and attendance by each member;
- d) The way the Audit Committee has discharged its responsibilities; and
- e) Information on the external auditor, their tenure, fees and their appointment process.
- f) Information to shareholders as to how auditor objectivity is maintained where the auditor has provided non-audit services
- g) Any issues that cannot be resolved between the Committee and the Board.

9.2. The Chair of the Committee or another member of the Committee shall attend the Board Meeting at which the accounts are approved.

10. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall be: -

10.1. Financial reporting

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

10.1.2. In particular the Committee shall review and challenge, where necessary:

- a) The consistency of critical accounting policies and practices and any change in them;
- b) Any 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 overall quality of earnings;
- e) The clarity of disclosures;
- f) Any significant adjustments resulting from the audit;
- g) The Group's adoption of the going concern basis;

- h) Compliance with accounting standards;
- i) Compliance with stock exchange and other legal and regulatory requirements and the reason for any deviation therefrom;
- j) 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).
- k) To consider other topics, as defined by the Board.

10.2. Internal Control and Risk Management

The Committee shall:

- a) Keep under review the policies and process for identifying and assessing business risks and the management of these risks by the Company;
- b) Review the framework and effectiveness of the Group's system of internal control including financial, operational and compliance controls and risk management;
- c) Review the Company's statement on internal control and risk management for inclusion in the Annual Report prior to endorsement by the Board of the Company;
- d) 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.
- e) Review the company's systems and procedures for detecting fraud and bribery and receive any reports on non-compliance.
- f) Monitor and review that the right amount and quality of financial management resources are within the company;
- g) Appoint and review the composition and work of the Disclosure Committee, which shall (i) make regular reports on its activities to the Audit Committee and (ii) advise the Chief Financial Officer and other Executive Directors with regard to the process for compiling the Annual Report and Accounts;
- h) Monitor the insurance position of the Group (including general insurance arrangements and Directors and Officers liability insurance cover).

10.3. Internal audit

The Committee shall:

- a) Approve the appointment and dismissal of the head of Internal Audit;
- b) Review and approve the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit

function is adequately resourced and has appropriate standing within the Company;

- c) Meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition ensure that the internal auditor has direct access to the Chair of the Audit Committee and is accountable to the Audit Committee;
- d) Receive a report on the result of the internal auditor's work on a periodic basis;
- e) Consider the major findings or recommendations of internal audit investigations and management's response;
- f) Monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system.

10.4. External audit

The Committee shall:

- a) 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 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
- b) Assess the independence of the external auditors on an annual basis taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services.
- c) Discuss with external auditors prior to approving the terms of engagement and any letter of engagement issued at the start of each audit and the nature and scope of the audit and consider and recommend to the Board the level of audit fees as well as any other fees which are payable to auditors in respect of non audit activities;
- d) Develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the external auditor and to ensure that the provision of non audit services does not impair the external auditor's independence or objectivity;
- e) Oversee the rotation of audit partners at appropriate intervals and in this respect monitor the audit firm's compliance with APB Ethical Standards for Auditors;
- f) Periodically review with the external auditors the findings of their work including, any major issues that arose during the course of the audit which have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgements; levels of error identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted;
- g) Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage in order to

discuss any problems and reservations arising from the interim review and year end audit and managements response to the auditors findings and recommendations. The Committee shall meet the external auditor at least once a year, without management being present;

- h) Review the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;
- i) Assess, at the end of the audit cycle, the effectiveness of the audit process; and
- j) Review the auditors' quality control procedures and steps taken by the auditors to respond to changes in regulatory and other requirements.
- k) Satisfy 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), and agree with the Board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy.

11. OTHER MATTERS

The Committee shall:

- 11.1. Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance if required.
- 11.2. 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.
- 11.3. Make available these terms of reference on the Company's website.

12. AUTHORITY

- 12.1. The Committee is authorised by the Board to investigate any activity in its Terms of Reference. It is authorised to seek any information it requires from any employee of the Group. All employees will be directed to co-operate with any request made by the Committee.
- 12.2. The Committee is authorised by the Board to obtain outside legal or other independent professional advice, at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise at meetings if it considers this necessary.
- 12.3. The Committee shall report to the Board concerning its activities, either orally or in writing, at or immediately after each Board meeting.
- 12.4. The Committee will keep professional fees from principal advisors and consultants to the Group under review.
- 12.5. The Committee will 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.