

Constitution and Terms of Reference – Audit Committee

Adopted by the Board on 18th November 2008

Membership

The Committee shall be appointed by the Board from amongst the Chairman and the Non-Executive Directors of the Company and shall consist of not less than two members.

A quorum shall be two members.

The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director and not normally the Group Chairman.

In the absence of the Committee Chairman the remaining members present shall elect one of the members present to chair the meeting.

Attendance at Meetings

The Committee may ask the Chief Executive, Finance Director and any relevant senior management to attend meetings either regularly or by invitation, but the invitees have no right of attendance.

The Committee shall ask a representative of the external auditors and the Group Risk and Assurance Manager to attend meetings as required. The Committee should have at least one meeting or part thereof, with the external auditor without management being present.

The Chairman of the Committee should attend the AGM and be prepared to respond to shareholders' questions on the activities of the Committee.

Frequency of Meetings

Meetings shall be held normally 3 times per year and not less than twice a year.

Meetings will be arranged to tie in with the publication of the company's financial statements, allowing sufficient time prior to a Board Meeting where accounts or financial statements are to be approved.

The external auditors or the Group Risk and Assurance Manager may request a meeting if they consider that one is necessary.

Notice of the Meeting

Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member thereof.

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 or any person required to attend and all other non-executive directors, no fewer than five days prior to the date of the meeting.

Reporting Procedures

The Secretary will circulate the minutes of the meetings of the Committee to all members of the Board.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to ensure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

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Duties

Internal Control and Risk Assessment

The Committee shall keep under review the effectiveness of the company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of material financial and non financial risks.

Internal Audit (Group Risk and Assurance function)

The Committee shall consider and approve the terms of reference of the Group Risk and Assurance function as it relates to assurance activities. It shall approve the appointment or removal of the Group Risk and Assurance Manager.

The Committee shall review and approve the annual Assurance Plan, reviewing any changes to the Plan. The Plan should be developed with reference to an up to date view of the key inherent risks across the business.

The Committee shall review at least twice yearly summary assurance reports produced by the Group Risk and Assurance function.

The Chairman of the Audit Committee should meet at least annually the Group Risk and Assurance Manager without management being present, to discuss their respective remit and any other appropriate issues.

The Group Risk and Assurance Manager shall be given the right of direct access to the Chairman of the Committee.

The Committee shall periodically, but at least every five years, assess the effectiveness of the Group Risk and Assurance function.

External Audit

The Committee shall consider and make recommendations to the Board as regards the appointment and re-appointment of the company's external auditors, and shall ensure that key partners within the appointed firm are rotated from time to time.

The Committee shall meet with the external auditors at least twice each year, once at the planning stage, where the scope of the audit will be considered, and once post audit at the reporting stage, and shall ensure that any auditor's management letters and management's responses are reviewed.

The Committee shall keep under review the relationship with external auditors including (but not limited to):

- the independence and objectivity of the external auditors;
- the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities; and
- discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external audits have vis-à-vis the company's internal auditing standards.

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Financial Statements

The Committee shall monitor the integrity of the financial statements of the company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

The Committee shall keep under review the consistency of accounting policies both on a year to year basis and across the company/group.

The Committee shall review and challenge where necessary company's financial statements taking into account:

- decisions requiring a major element of judgement;
- the extent to which the financial statements are affected by any unusual transactions;
- the clarity of disclosures;
- significant adjustments resulting from the audit;
- the going concern assumption;
- compliance with accounting standards;
- compliance with Stock Exchange and other legal requirements; and
- 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.

The Committee shall review the annual financial statements of the pension funds where not reviewed by the Board as a whole.

Reporting Responsibilities

The Committee or its Chairman shall meet formally with the Board of Directors at least once a year to discuss such matters as the Annual Report and the relationship with the external auditors.

In the light of its other duties, the Committee shall make whatever recommendations to the Board it deems appropriate and shall compile a report to shareholders to be included in the company's Annual Report and Accounts.

Other Matters

The Committee shall give due consideration to the requirements of the UK Listing Authority's Listings Rules.

The Committee shall review the co-ordination of the Group Risk and Assurance function and the external auditors.

The Committee will review the company's procedures for handling allegations from whistleblowers.

The Committee shall oversee any investigation of activities, which are within the terms of reference and act as a court of the last resort.

The Committee should, on a regular basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.

The Committee shall ensure that its members receive adequate and appropriate training on matters relating to its terms of reference.