

Revised Terms of Reference for the Audit Committee

Duties

1. The duties of the Committee shall be:
 - a) to oversee all matters associated with the appointment, terms, remuneration and performance of the external auditor as set out in Appendix 1;
 - b) to consider, review and approve if appropriate the provision of non-audit services by the external auditor in accordance with the policy set out in Appendix 2;
 - c) to review the Company's financial statements, preliminary announcements and any formal announcements relating to financial performance, or other statements containing financial information, before submission to the Board for endorsement, focusing particularly on:
 - i) any changes in accounting policies and practices
 - ii) major judgmental areas
 - iii) significant adjustments resulting from the audit
 - iv) the going concern assumption
 - v) compliance with accounting standards
 - vi) compliance with stock exchange and legal requirements.
 - d) to consider annually the need for an internal audit function and make a recommendation to the Board;
 - e) to review the Company's internal financial control system;
 - f) to establish arrangements by which Company employees may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action;
 - g) to consider other topics, as defined by the Board.

Membership

1. The Committee shall comprise all of the independent non-executive Directors of the Company (excluding the Company Chairman). At least one member of the Committee shall have recent and relevant financial experience. A quorum shall be two members.
2. The Chairman of the Committee shall be appointed by the Board on the recommendation of the Nominations Committee.

3. Committee appointments shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to remain independent.
4. The Company shall provide an induction programme for new Committee members and shall provide ongoing training to existing Committee members which should include an understanding of the principles of and developments in financial reporting and related company law.
5. The Committee will make available these terms of reference, setting out its delegated responsibilities which should be reviewed and where necessary updated annually.

Attendance at meetings

1. Only Committee members are entitled to attend a meeting. The Company Chairman, Finance Director and the External Audit Engagement Director shall however normally be invited to attend meetings. Others may also be invited to attend. At least once a year the Committee shall meet with the external auditors without management present.
2. The Company Secretary shall be the Secretary of the Committee and the Committee shall have access to the Company Secretary on all Committee matters.

Frequency of meetings

1. Meetings shall be held not less than three times a year. The external auditor may request a meeting if they consider that one is necessary.
2. The Chairman of the Committee and to a lesser extent other members of the Committee should keep in contact on a continuing basis with the key people involved in the Company's governance; including; the Chairman, the Chief Executive, the Finance Director and the External Audit Engagement Director.

Authority

1. 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 and all employees are directed to co-operate with any request made by the Committee.
2. The Committee is authorised to incur expenditure in obtaining independent accounting, legal or other independent professional advice and to secure the

attendance of outsiders with relevant experience and expertise if it considers this necessary.

Reporting procedures

1. The Secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board.
2. The Annual Report shall include a note covering:
 - a summary of the Committee's role;
 - names and qualifications of all Committee members during the period;
 - the number of Committee meetings and attendance at those meetings;
 - a report on the way the Committee has carried out its responsibilities;
 - an explanation as to how, if the external auditor provides non-audit services, external auditor independence and objectivity is safeguarded.
3. The Chairman of the Committee shall attend the AGM in order to be available to answer questions.

Relations with the external auditor

Appointment, terms, remuneration and performance of the external auditor

The Audit Committee shall oversee all matters associated with the appointment, terms, remuneration and performance of the external auditor by:

- selecting the external auditor for recommendation to the Board and appointment by shareholders;
- making recommendations on the removal of the external auditor;
- assessing annually the independence of the external auditor in accordance with the guidelines set out in Appendix 3;
- assessing annually the qualification, expertise and resources of the external auditor;
- investigating any issues arising from the resignation of the external auditor and consider whether any action is required;
- approving the audit fee;
- approving the overall audit work plan;
- reviewing with the external auditor, in the absence of management where necessary, the findings of their work, including discussion of the major audit issues arising, the key accounting and audit judgements made and levels of any errors arising during the audit;
- reviewing the audit representation letters before signature by a director;
- reviewing the management letter and management's response to the audit findings;
- assessing on an annual basis the effectiveness of the audit process, including:
 - review and agree the engagement letter at the start of each audit and, where necessary, ensure that it has been updated to reflect changes in circumstances arising since the previous year;
 - reviewing whether the external auditor has met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditor to address those risks;
 - considering the robustness and perceptiveness of the external auditor in their handling of the key accounting and audit judgements identified and in responding to questions from the audit committees, and in their commentary where appropriate on the systems of internal control;
 - obtaining feedback about the conduct of the audit from key people involved, including the Finance Director and
 - reviewing the external auditor's management letter, in order to assess whether it is based on a good understanding of the Company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.

APPENDIX 2

Policy for approval of the provision of non-audit services by the external auditor

On the basis of the guidelines set out in Appendix 3 below, the Audit Committee has set the following policy regarding the provision of non-audit services by the current external auditor, KPMG:

- Approval is required in advance from the Audit Committee for all individual non-audit services with fees of £25,000 or more;
- Approval is only required from the Audit Committee in advance for all individual non-audit services with fees of less than £25,000, once the cumulative amount of such fees exceeds £25,000 in a half year period (i.e. 6 months to 31 March or 6 months to 30 September);
- No approval is required from the Audit Committee in respect of fees for pension scheme audits.

Guidelines for ensuring the independence and objectivity of the external auditor

The Audit Committee shall ensure the independence and objectivity of the external auditor annually, taking into consideration relevant UK professional and regulatory requirements. This assessment of independence should include:

- consideration of all the relationships between the Company and the external auditor (including the provision of non-audit services);
- obtaining assurance that the external auditor and their staff have no family, financial, employment, investment or business relationship with the Company (other than in the normal course of business);
- obtaining information from the external auditor regarding its policies and processes for maintaining independence and monitoring compliance with relevant requirements, including requirements regarding the rotation of audit partners/directors and staff;
- agreeing with the Board, the Company's policy for the employment of former employees of the external auditor, which is that no individuals formerly employed by the external auditor, and directly or indirectly involved on the audit within the last two years, shall be employed by the Company without the prior approval of the Audit Committee;
- monitoring the external auditor's compliance with relevant UK ethical guidance, relating to the rotation of audit partners/directors, the level of fees the Company pays in proportion to the overall fee income of the firm, office and partner/director and other related regulatory requirements;
- consideration as to whether the provision of non-audit services by the external auditor could impair the external auditors independence or objectivity, by considering the following general and ethical guidelines:
 - whether the skills and experience of the external auditor make it a suitable supplier of the non-audit service under consideration;
 - whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
 - the nature of the non-audit services, the related fee levels individually and in aggregate relative to the audit fee;
 - the criteria which govern the compensation of the individuals performing the audit;
 - in principle the external auditor should not provide any service which:
 - results in the external auditor auditing its own firm's work;
 - leads to the external auditor making management decisions for the Company;
 - creates a mutuality of interest or;
 - leads to the external auditor being put in the role of advocate for the Company.