

Audit Committee

The Audit Committee comprises of Ric Piper (pictured right), who is the Committee's Chairman, and Stephen Burke. Both are independent Non-Executive Directors.



Key Responsibilities

- **Monitoring the integrity of the half-yearly and annual Financial Statements and formal announcements relating to the Group's financial performance**
- **Reviewing significant financial reporting issues and accounting policies and disclosures in financial reports**
- **Reviewing the effectiveness of the Group's internal control procedures and risk management systems**
- **Considering how the Group's internal audit requirements shall be satisfied and making recommendations to the Board**
- **Making recommendations to the Board on the appointment or re-appointment of the Group's independent external auditors**
- **A review of the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and half-year report**
- **Overseeing the Board's relationship with the independent external auditors including their continuing independence and, where appropriate, the selection of new independent external auditors**
- **Ensuring that an effective whistle-blowing procedure is in place**

The Committee meets the independent auditor privately at each scheduled meeting. The independent auditor has unrestricted access to the Committee and its Chairman.

Full Audit Committee Terms of Reference (Approved by the Board on 7th October 2009)

The primary purpose of the Audit Committee is to review the scope of the external audit, to receive direct reports from the independent external auditors and to review the half yearly and annual financial statements before they are presented to the Board, focusing in particular on accounting policies and compliance, areas of management judgment and estimates and the effectiveness of internal control procedures.

1. Membership

- 1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least two members. The Members of the Committee appointed by the Board as at 1st August 2009 are Ric Piper (Chairman) and Stephen Burke.
- 1.2. The Board will review membership and attendance annually.
- 1.3. All members of the Committee shall be independent non-executive Directors, at least one of whom shall have recent and relevant financial experience.
- 1.4. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, Chief Executive Officer, Chief Financial Officer, other Directors and members of senior management may be invited to attend all or part of any meeting as and when appropriate.
- 1.5. The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.6. 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.
- 1.7. The Board shall appoint the Committee Chairman who shall be an independent non-executive Director. 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. The Chairman of the Committee appointed by the Board as at 1st August 2009 is Ric Piper.

2. Secretary

- 2.1. The Company Secretary or their nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two members.

4. Frequency of Meetings

- 4.1. The Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 4.2. The external auditors may request a meeting if they consider that one is necessary.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 5.2. 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, any other person required to attend and all other non-executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate and in any event no later than two working days before the date of the meeting.

6. Minutes of Meetings

- 6.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

7. Annual General Meeting

- 7.1. The Chairman of the Committee shall attend the Annual General Meeting ('AGM') prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

- 8.1. The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

8.2. Financial Reporting

- 8.2.1. The Committee shall monitor the integrity of the financial statements of the Group, 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 judgments which they contain. The Committee shall also any 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.
- 8.2.2. The Committee shall review and challenge where necessary:
- 8.2.2.1. the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
 - 8.2.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.2.2.3. whether the Group has followed appropriate accounting standards and stock exchange and legal requirements and made appropriate estimates and judgments, taking into account the views of the external auditors;

- 8.2.2.4. the going concern assumption;
- 8.2.2.5. the clarity of disclosure in the Group's financial reports and the context in which statements are made; and
- 8.2.2.6. all material information presented with the financial statements.

8.3. Internal Controls and Risk Management Systems

The Committee shall:

- 8.3.1. keep under review the effectiveness of the Group's internal controls and risk management systems; and
- 8.3.2. review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

8.4. Whistleblowing

The Committee shall review the Group's arrangements for its employees 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.

8.5. Internal Audit

The Committee shall review annually the need or otherwise for an internal audit function.

8.6. External Audit

The Committee shall:

- 8.6.1. 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 new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.6.2. oversee the relationship with the external auditors including (but not limited to):
 - 8.6.2.1. approval of 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;
 - 8.6.2.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.6.2.3. 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;
 - 8.6.2.4. 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).
- 8.6.3. meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditors at the end of each Audit Committee meeting, without management being present, to discuss their remit and any issues arising from the audit;
- 8.6.4. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.6.5. review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
 - 8.6.5.1. a discussion of any major issues which arose during the audit,
 - 8.6.5.2. any accounting and audit judgements, and
 - 8.6.5.3. levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit.

- 8.6.6. review any representation letter(s) requested by the external auditors before they are signed by the Board;
- 8.6.7. review the management letter and management's response to the auditor's findings and recommendations.

8.7. Reporting Responsibilities

- 8.7.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.7.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.7.3. The Committee shall compile a report to shareholders on its activities to be included in the company's Annual Report.

8.8. Other Matters

The Committee shall:

- 8.8.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.8.2. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate;
- 8.8.3. oversee any investigation of activities which are within its terms of reference and act as a court of the last resort;
- 8.8.4. The Committee should be provided with appropriate and timely training, both in the form of an induction for new members and on an ongoing basis for existing members.and
- 8.8.5. at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at optimum effectiveness and recommend any changes it considers necessary to the Board for approval.

9. Authority

The Committee is authorised:

- 9.1. to seek any information it requires from any employee of the Group in order to perform its duties;
- 9.2. to obtain, at the Group's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 9.3. to call any employee to be questioned at a meeting of the Committee as and when required. All directors and employees are directed to co-operate with any request made by the Committee.