



AUDIT AND RISK COMMITTEE – TERMS OF REFERENCE

CONSTITUTION, AUTHORITY AND MEMBERSHIP

The Audit & Risk Committee (the 'Committee') is a committee of the Board and, as such, is appointed by and reports to the Board. The Committee is not an executive committee; it makes recommendations to the Board.

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

The Committee is authorised, at the Company's expense, to obtain external legal or other independent professional advice, subject to notifying the Chairman of the Board.

The Chairman and members of the Committee shall be appointed by the Board from the independent non-executive directors (as defined in the UK Corporate Governance Code) on the recommendation of the Nomination Committee in consultation with the Committee Chairman. At least one member of the Audit & Risk Committee should have significant, recent and relevant financial experience.

The Committee shall consist of not less than three members.

Members should be free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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.

The Board will appoint a 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 Board shall not be the Chairman of the Committee.

The Committee is authorised to delegate any of its powers to one or more members, to the Risk Management Committee or other sub-committee as deemed appropriate.

The Company Secretary or his nominee shall be Secretary to the Committee.

ATTENDANCE AT MEETINGS

A quorum necessary for the transaction of business shall be two members; meetings may be held in person or by telephone. 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.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Finance Director, other directors, representative of the finance function, a partner in the accounting firm who are external auditors, and a representative of any outside organisation fulfilling the role of internal auditor and others as appropriate may be invited by the Chairman to attend all or part of any meeting as and when appropriate.

At least once a year a partner representing the external auditors will meet with the Committee without any executive member of the Board being present.

At least once a year representative of any outside organisation fulfilling the role of internal auditor, will meet the Committee without management being present, to discuss their remit and any issues arising from the internal audits carried out.

The external and internal auditors shall have the right of direct access to the Committee Chairman.

FREQUENCY OF MEETINGS

Meetings of the Committee will be held at least three times a year as follows:

- A meeting to agree the terms of engagement, proposed approach and fees of the annual audit exercise. Review the internal control structure and risk management systems. Approve internal audit programme.
- Prior to the issue of the preliminary full year results. This meeting to include a report on significant issues arising from the audit exercise;
- Prior to the issue of half year results, to review the significant issues arising from the auditor's review exercise;

Additional meetings of the Committee may be called by any member of the Committee as required, or by the external auditors if they consider that one is necessary.

Outside of the normal meeting schedule, the Chairman of the Audit & Risk Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive, the Finance Director, the Company Secretary, Chairman of the Risk Management Committee, the external lead audit partner, and representative of any outside organisation fulfilling the role of internal auditor.

NOTICE OF MEETINGS

Meetings of the Committee shall be called 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.

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, in a reasonable time before the date of the meeting. Supporting papers shall be sent to the Committee members and to other attendees as appropriate, at the same time.

DUTIES

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole as appropriate. The duties of the Committee shall be:

1. Financial Reporting

The Committee shall review and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board, to satisfy itself that they meet all statutory requirements with particular emphasis on:-

- the consistency of critical accounting policies and practices, and any amendments thereto;
- the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- the clarity of disclosures in the Company's financial reports and the context in which statements were made;
- major judgmental areas;
- significant adjustments resulting from the audit;
- the going concern assumption;
- the viability statement;
- compliance with accounting standards;
- compliance with Stock Exchange and other legal requirements;
- any other issue considered significant by either the Finance Director or the external auditors.

2. Narrative Reporting

Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

3. Internal Controls and Risk Management

The Committee shall:

- Review the minutes and actions arising from the Risk Management Committee meetings.

- At least one Non-Executive Director should attend each meeting of the Risk Management Committee and where necessary report back to the Audit and Risk Committee on any significant risk management matters for discussion.
- Consider and recommend to the Board the Group's risk appetite and the Group's risk profile review on behalf of the Board.
- Monitor and at least annually review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems and make recommendations to the Board;
- Consider the source and effectiveness of assurance provided over key controls in place to manage principle risks on an on-going basis.
- Review and approve the statements to be included in the annual report concerning internal control and risk management systems prior to Board review;
- Review in detail at least annually the Company's risk register which shows the actions taken to minimise risks, the policies and controls in force, and other sources of assurance upon which reliance is placed to mitigate risks to ensure in line with Company risk appetite.
- Ensure there is a robust assessment of the principle risks facing the Company, including those that would threaten the business model, future performance, solvency or liquidity.
- Review any significant litigation not in the ordinary course of business.

The Committee may at its discretion delegate some of the above duties to the Risk Management Committee. The Committee will receive and review reports from the Risk Management Committee in relation to the above matters, and any other matters.

4. Whistleblowing and Fraud

The Committee shall:

- Review the company's whistleblowing arrangements to ensure its employees are able 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.
- Review the Company's procedures for detecting fraud.

- Review the Company's systems and controls for ethical behaviour generally and the prevention of bribery in particular and receive reports on non-compliance.
- If it identifies evidence of fraud or any illegal activity, ensure that such matters are reported to the Chairman, Chief Executive and the Board.

5. Internal Audit

The Committee shall:

- Approve the appointment and removal of the internal audit outsource provider;
- Consider and approve the remit of the internal audit outsource provider and ensure that it is able to perform its function effectively and in accordance with the relevant professional standards;
- Review and assess the annual internal audit plan and be advised of reasons for any change or delay in the programme;
- Review the reports received from the internal audit outsource provider and monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system;
- Review and monitor management's responsiveness to the findings and recommendations of the internal auditor.
- Meet the internal audit outsource provider at least once a year, without management being present, to discuss the remit and any issues arising from the internal audits carried out. In addition the internal audit outsource provider shall be given the right of direct access to the Chairman of the Board and to the Committee.

6. External Audit

The Committee shall:

- Consider the appointment and re-appointment of the external auditor and any question of resignation or dismissal and make recommendations to the Board.
- Assess the independence of the external auditor, ensuring that key partners are rotated at appropriate intervals.
- Oversee the process for selecting the external auditor and make appropriate recommendations through the Board to permit shareholder consideration at the AGM.
- Meet regularly with the external auditor, including once at the planning stage before the audit, once after the audit at the reporting stage and

once at the half year reporting stage. The Committee shall meet the external auditor at least once a year without management being present, to discuss their remit and any issues arising from the audit.

- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.

Oversee the relationship with the external auditor including (but not limited to):

- Discussing with the external auditors their terms of engagement, including any engagement letter issued at the start of the audit and the scope of the audit.
- Negotiating and agreeing on behalf of the Board the statutory audit fee and any additional fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted.
- Reviewing and monitoring the quality control procedures, the qualifications, expertise and resources of the external auditor, and the effectiveness of the audit process and quality of the audit output, taking into consideration relevant UK professional and regulatory requirements and the relationship with the auditor as a whole including the provision of any non-audit services.
- Ensuring there is proper co-ordination with the external auditors to discuss (in the absence of executive directors, if appropriate) any problems or reservations which the external auditors may have arising from final audits and any interim reviews or otherwise.
- 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).
- Agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy.
- Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners and the mandatory rotation of audit firms, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements including being solely responsible for influencing (either as a Committee or acting through the Chairman and consulting with such persons as it deems appropriate) the appointment of the audit engagement partner.
- Review co-ordination with the activities of the internal audit function

- Review any shareholders' circulars and listing particulars or similar public offering documents particularly with regard to any statements regarding profit forecasts or working capital requirements;
- Review the expenses incurred personally by Directors and recharged to the Company.
- Consider such other topics as may be specified by the Board.

REPORTING

The Committee Chairman or, as a minimum, another member of the Committee, shall attend the Board Meeting at which the interim and annual financial statements, together with any shareholders' circulars, listing particulars or similar public offering documents, are approved,

The Committee members shall conduct an annual review of their work and these Terms of Reference and report how the Committee has effectively discharged its responsibilities in relation to its duties under these Terms of Reference

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall compile a formal report to shareholders on its activities to be included in the Company's annual report. Such a report shall comply with the recommendations of the UK Corporate Governance Code (as applicable) and shall include:

- An explanation of how, if the auditors provide non-audit services to the Company, auditor objectivity and independence is safeguarded.
- The significant issues that the Committee considered in relation to the financial statement, and how these issues were addressed.
- An explanation of how it has assessed the effectiveness of the external audit process and the approach taken to its recommendation on the appointment or re-appointment of the auditors including the steps taken in deciding whether or not to recommend that the audit be put out to competitive tender (including information on the length of tenure of the auditors and when a competitive tender was last conducted), as well as a description of the work of the Committee in discharging its responsibilities under these Terms of Reference.

The Committee shall make available to shareholders these Terms of Reference by placing them on the Company's website and/or providing a copy to shareholders on request.

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee including recording the names of those present and in attendance, and shall distribute the minutes of the meeting of the Committee to all members of the Board.

OTHER MATTERS

The Committee Chairman shall attend the AGM and shall answer questions through the Chairman of the Board of the Committee's activities and responsibilities.

The Committee shall:

- Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- Be provided with appropriate and timely training, both in the form of an induction programme for its new members and on an ongoing basis for all members.
- Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate.
- Review co-ordination of the internal and external auditors.
- Review its own performance, 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.

RESPONSIBILITIES TO REMAIN WITH THE BOARD

- The approval of the Interim Report and Annual Report and Accounts
- The monitoring of the affairs of the Company
- The maintenance of the system of internal control and the annual report thereon by the directors.

- The assessment of whether the Company is a going concern and the annual report thereon by the directors.
- Recommendation/approval of dividends