

Appendix 1

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1. Constitution

- 1.1 The Committee has been established by a resolution of the Board of Directors and will be known as the Audit Committee.

2. Membership

- 2.1 The members of the Audit Committee shall be appointed by the Board of Directors from the Directors of the Company and shall consist of not less than 2 members. Where possible the Audit Committee shall be composed by the majority of independent non-executive directors. A quorum shall be 2 members.

3. Attendance at meetings

- [3.1 The Chief Financial Officer (where he/she is not already a member of the Committee) and a representative of the external auditors shall normally attend meetings. Other members of the Board of Directors shall also have the right of attendance.]
- 3.2 The Committee may at each meeting appoint one of their number to be the Secretary of the meeting.

4. Frequency of meetings

- 4.1 Meetings shall be held at least once a year. The external auditors may request a meeting if they consider that one is necessary.

5. Authority

- 5.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It shall have unrestricted access to the auditors, is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 5.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6. Duties

The duties of the Committee are:

- 6.1 to consider the appointment and the terms of engagement of the external auditors, the auditors' remuneration and any question of resignation or dismissal of the auditors and to make recommendations to the Board of Directors on the same;
- 6.2 to discuss with the auditors before the audit starts the nature and scope of the audit and ensure co-ordination where more than one firm of auditors is involved;

- 6.3 to keep under review the scope and results of the audit and its cost effectiveness;
 - 6.4 to keep under review the independence and objectivity of the auditors;
 - 6.5 to keep under review the nature and extent of non-audit services supplied by the auditors (where they supply a substantial volume of such services to the Company), seeking to balance the maintenance of objectivity and value for money;
 - 6.6 to review the half-year financial statements and annual accounts and reports to the shareholders and any other public announcement concerning the Company's financial position which has not been previously reviewed by the Board of Directors of the Company or a committee of the Board before submission to the Board of Directors, focusing particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) any important areas where judgment must be exercised;
 - (c) significant adjustments resulting from the audit;
 - (d) the going concern assumption;
 - (e) compliance with accounting standards; and
 - (f) compliance with stock exchange and legal requirements;
 - 6.7 to discuss problems and reservations arising from audits and any matters the auditors may wish to discuss (in the absence of executive Directors, where necessary);
 - 6.8 to submit documents referred to in paragraph 6.6 to the Board for its approval and to determine what information should be brought to the Board of Directors' attention in connection with the submission;
 - 6.9 to review the external auditor's management letter and response;
 - 6.10 to review the effectiveness of the Company's internal control system and to review any statement on internal control to be included in the Directors' report before submission to the Board of Directors for its approval;
 - 6.11 where an internal audit function exists, to review 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/group;
 - 6.12 to consider the major finding of internal investigations and management's response; and
 - 6.13 to consider other topics, as requested by the Board of Directors
- 7. Reporting procedures**
- 7.1 The Secretary of the Committee shall circulate the minutes of the meeting of the Committee to all members of the Board of Directors.