

AUDIT COMMITTEE TERMS OF REFERENCE

A. Membership

1. The Committee shall comprise at least two members, each of whom shall be independent non-executive directors appointed by the Board upon the recommendation of the Nominations Committee.
2. The members of the Committee shall be "independent" in accordance with the terms of the Principles of Good Governance and Code of Best Practice contained in the Combined Code (the "**Combined Code**") published by the Financial Reporting Council.
3. Upon the recommendation of the Nominations Committee the Board shall appoint the Chairman of the Committee and determine the period for which he/she shall hold office.
4. At least one member of the committee shall have recent and relevant financial experience;
5. The Company Secretary, or other appropriate individual, shall be the secretary of the Committee and shall keep minutes of its meetings.
6. No one other than the Committee's Chairman and members is entitled by right to be present at a meeting of the Committee, although others may be invited to attend.

B. Meetings

1. The Committee shall meet at least three times a year.
2. The external auditors may request a meeting at any time if they consider that one is necessary.
3. Meetings of the Committee may be called by any member of the Committee or by the secretary.
4. Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall normally be forwarded to each member of the Committee at least fifteen working days prior to the date of the meeting, although such notice period may be waived or shortened with the consent in writing of all the members of the Committee for the time being.
5. The quorum of the meeting shall be two.
6. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.
7. The Committee shall meet, at least annually, with the external and the internal financial auditors either together or separately, as deemed appropriate.

8. The Chairman shall debrief the Board after each meeting and the minutes of each meeting shall be circulated to all Directors when approved.
9. The Committee shall meet at least annually with the external auditors without any members of the executive team present, unless the external auditors indicate that they do not require such a meeting
10. The Committee's auditors, Chairman, Chief Executive and Finance Director shall be available, if invited, to attend and speak at meetings of the Committee.

C. Duties

1. The overall purpose of the Committee shall be to:
 - (i) ensure that the Group's accounting and financial policies and controls are proper, effective and adequate;
 - (ii) ensure that internal and external auditing processes are properly co-ordinated and work effectively;
 - (iii) ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance published by the Company, reviewing significant financial reporting judgments contained in them and;
 - (iv) keep under review the nature and extent of non-audit services provided by the Company's auditors.

The Committee is responsible for:

2. recommending to the Board and through them to the shareholders the appointment of the external auditors including:
 - (i) agreeing the audit fees to be paid and approving the auditors letter of engagement;
 - (ii) reviewing annually the independence of the auditors including any other fees which are payable to the auditors in respect of non audit activities;
 - (iii) reviewing and agreeing the external audit plan; and
 - (iv) reviewing the effectiveness of the audit process including the communication between the Committee and the Auditors
3. undertaking on behalf of the board on-going review of the Group's critical accounting policies, significant financial reporting disclosures and the key judgements made in connection with the preparation of the Group's annual financial statements, the preliminary announcement of the full year results and any interim report(s); and recommending to the Board and management any changes resulting from the review(s)

4. meeting with the external auditors following their annual audit and any reviews they are engaged to perform of the Group's interim report(s) and:
 - (i) discussing with the external auditors their key findings including their views on critical accounting policies, significant financial reporting disclosures and key judgements; and
 - (ii) considering any proposals the external auditors may make with regard to the Group's accounting and reporting policies and procedures;
5. reviewing the consistency of application of accounting policies both on a year to year basis and across the Group;
6. giving due consideration to the requirements of the Financial Services Authority's Listing Rules;
7. reviewing the Group's internal financial controls, including the Group's internal control and risk management systems.
8. keeping under review the arrangements made within the Group for internal audit whether outsourced or managed within the Group. The Committee will agree annually the scope, audit plan and budget for internal audit.
9. receiving a report at least annually from the financial auditors on the results of their audit work and keeping under review management's implementation of the financial auditors' recommendations on the Group's systems of internal financial control.
10. ensuring that the Chairman of the Committee attends the AGM prepared to respond to shareholder questions on the Committee's activities.
11. review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

D. Authority

The Committee shall:

1. oversee any investigation of activities which are within its terms of reference;
2. have a right to seek any necessary information to fulfil its duties;
3. have the right to obtain external legal and professional advice at the Company's expense, which is necessary for the fulfilment of its duties;

4. have the power to call any member of staff to a meeting of the Committee as and when it deems necessary.

E. Reporting

The committee shall prepare a report on its role and responsibilities, the actions it has taken to discharge those responsibilities and any item of non-compliance for inclusion in the annual report and accounts. Such report shall specifically include:

1. a summary of the activities of the committee;
2. the number of committee meetings and attendance by each member.

The secretary of the committee shall circulate the minutes of the committee to all members of the Board. At the next meeting of the Board following a meeting of the committee, the Chairman of the committee shall report to the Board upon the findings and recommendations of the committee.

The Chairman of the committee shall attend the company's annual general meeting and be available thereat to answer questions about the work of the committee.

The Committee shall conduct an annual review of its work and these terms of reference and shall make recommendations to the Board.

F. Date of Adoption

These terms of reference were adopted by the Board on September 21st, 2006 and supersede all previous terms