

Terms of reference

Terms of Reference of the Audit Committee

Membership

The Committee shall be appointed by the Board and shall consist of not less than three members, all of whom shall be independent Non-Executive Directors. A quorum of the Committee shall be two members.

The Chairman of the Committee shall be appointed by the Board from amongst the independent Non-Executive Directors. At least one member of the Committee shall have significant, recent and relevant financial experience.

Secretary

The Secretary of the Company shall be the Secretary of the Committee.

Attendance at Meetings

No one other than the members of the Committee shall be entitled to attend meetings of the Committee. The Chairman of the Company, the CEO, the CFO, representatives of the external Auditor and such other persons as the Committee may consider appropriate shall attend meetings at the invitation of the Committee.

There shall be at least one meeting a year where the Audit Committee meets the external Auditor without Executive Board members present.

Frequency of Meetings

Not less than three meetings a year shall be held (to coincide with key dates in the Company's financial reporting cycle).

The external Auditor may request additional meetings if it considers them necessary.

Authority

The Committee is authorised by the Board to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company;
- obtain outside legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise to the extent considered necessary.

Duties

The duties of the Committee shall be:

- to consider and make recommendations on the appointment, re-appointment and removal of the external Auditor;
- to approve the terms of engagement and the remuneration to be paid to the external Auditor in respect of audit services provided;
- to assess the qualification, expertise and resources, effectiveness and independence of the external Auditor annually;
- to devise procedures to ensure that the independence and objectivity of the external Auditor is assessed annually, taking into consideration relevant professional and regulatory requirements;
- to seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff;
- to agree with the Board and monitor the Company's policy for the employment of former employees of the external Auditor;
- to develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the external Auditor and ensure that the provision of such services does not impair the external Auditor's independence or objectivity;
- to set and apply a formal policy specifying the types of non-audit work:
 - from which the external Auditor is excluded;
 - for which the external Auditor can be engaged without referral to the Audit Committee; and
 - for which a case by case decision is necessary;
- to discuss with the external Auditor, before the audit commences, the nature and scope of the audit;
- to review with the external Auditor the findings of its work, including any major issues that arise during the course of the audit;
- to review key accounting and audit judgements;
- to review the audit representation letters before signature by Management and give particular consideration to matters where representation has been requested that relate to non-standard issues;

- to review and monitor the content of the external Auditor's management letter in order to establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon;
- to consider annually whether there is a need for an internal audit function where there currently is no such function;
- to the extent there is an internal audit function, to review the internal audit programme and ensure that the internal audit function is adequately resourced;
- to review the Company's procedures for 'whistle-blowing' and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matter;
- to review Management's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- to review, and where necessary, challenge the actions and judgements of management in relation to the Company's financial statements, operating and financial reviews, interim reports, preliminary announcements and related formal statements before submission to the Auditor and Board, paying particular attention to:
 - critical accounting policies and practices, and any changes in them;
 - decisions requiring a significant element of judgement;
 - the extent to which the financial statements are effected by any unusual transactions in the year and how they are disclosed;
 - the clarity of disclosure;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - compliance with accounting standards;
 - compliance with stock exchange and other legal requirements;
 - reviewing the Company's statement on internal control and risk management.

Reporting

The Secretary shall circulate draft minutes of all meetings of the Committee to all members of the Board within 7 days of the relevant meeting having been held.

The Committee shall annually review its terms of reference and its own effectiveness and recommend any necessary changes to the Board.

The role and responsibilities of the Committee and the actions taken by the Committee to discharge those responsibilities shall be disclosed in the Annual Report and Accounts. Such a report shall specifically include:

- a summary of the role of the Committee;
- the names and qualifications of all members of the Committee during the period ;
- the number of Audit Committee meetings and attendance by each member; and
- the way the Audit Committee has discharged its responsibilities.

Where disagreements between the Committee and the Board cannot be resolved, the Committee shall report the issue to the shareholders as part of the report on its activities in the Company's annual report.

If the Board does not accept the Committee's recommendation regarding the appointment, re-appointment or removal of the external Auditor, the Committee shall include a statement explaining its recommendation and reasons why the Board has taken a different stance in the Annual Report.

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

Terms of Reference of the Remuneration Committee

The committee will consist of at least three members, all of whom shall be independent non-executive directors. provided that, if he was deemed independent on appointment and continues to meet the standards of independence, the Chairman of the Board may be an additional member of the Committee. No executive director may be a member of the Committee. The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors.

It is the responsibility of the Committee to determine remuneration packages (including pension rights and compensation payments) for the executive directors, the Chairman of the Board (unless he is a member of the Committee) and, so as to maintain and assure their independence, the company secretary. The remuneration of non-executive directors and, if he shall be a member of the Committee, the Chairman of the Board, shall be a matter for the executive members of the Board. If the Chairman of the Board is not a member of the Committee, the remuneration of the non-executive directors shall also be a matter for the Chairman of the Board.

It is also the responsibility of the Committee to meet its obligations as set out in the terms of reference, as well as to monitor the level and structure of remuneration for senior management.

The policy of the Remuneration Committee is to reward directors competitively and on the broad principle that their remunerations should be in line with the remuneration paid to senior management of comparable public companies.

The terms of reference for the Committee are as follows:-

- To provide packages necessary to attract, retain and motivate executive directors of the quality required. The notice period for directors will be a maximum of one year for new appointees, except in exceptional circumstances.
- To make itself aware of packages available in comparable companies.
- To determine the balance between basic pay and performance related elements of the package to align directors' interests to those of the shareholders. A significant proportion of executive directors' remuneration shall be structured so as to link rewards to corporate and individual performance.
- In designing any performance-related remuneration, the Committee will take account of Schedule A of the "Combined Code" and any Companies Act legislation.
- To recommend the Company's framework for executive remuneration and its cost for the approval of the Board.

- To consider and determine specific remuneration packages for the executive directors. No director will take part in the discussions concerning his own remuneration.
- To approve the annual bonus payments to executive directors.
- To consider and determine compensation payments for early termination of contracts of service. The broad aim will be to avoid rewarding poor performance while dealing fairly where departure is not for poor performance and to take a robust line on director's obligations to mitigate loss.
- To ensure that shareholders are invited to approve all long term incentive plans.
- To maintain contact with shareholders on remuneration issues.
- To review, recommend and monitor the level and structure of remuneration for senior management.
- To approve the Remuneration report contained in the Company's annual report.
- To approve contracts of service for all new executive directors. The Committee will consider the advantages and disadvantages of providing explicit compensation commitments, except in the case of misconduct, in that initial contract.

Terms of Reference of the Nominations Committee

The Committee will consist of a majority of independent non-executive directors. The Chairman of the Committee shall be the Chairman of the Board, save when dealing with the appointment of a successor to the Chairman.

The terms of reference for the Committee are as follows:

- To lead the process for Board appointments, which shall be formal vigorous and transparent, using external search and consultancy services and/or open advertising where appropriate, but particularly in the case of appointments of the Chairman or non-executive directors.
- To make recommendations for Board appointments based on merit, against objective criteria.
- To ensure plans are in place for orderly succession of appointments to Board and senior management, taking account of the challenges and opportunities facing the Company, so as to maintain an appropriate balance of skills and experience within the Company and on the Board.
- To prepare descriptions of role and capabilities for particular appointments, having evaluated the balance of skills and experience on the Board.
- In relation to the appointment of a new Chairman, to prepare a job specification, including an assessment of the time commitment expected.
- To establish policy for executive directors becoming non-executive directors of other companies.
- To make recommendations to the Board concerning any matters relating to the continuation in office of any director at any time.
- To regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any proposed changes.