

Audit Committee Terms of reference

Constitution

1. The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee.

Membership

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent. At least one of the members of the Committee should be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Exchange Listing Rules. A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm (whichever is later). A quorum shall be two members.
3. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.

Attendance at meetings

4. The head of Finance, the head of Internal Audit, and representative(s) of the external auditors shall normally attend meetings.
5. The company secretary shall be the secretary of the Committee.

Frequency of meetings

6. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

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

8. The Committee is authorised 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.

Duties

9. The duties of the Committee shall be:

Relationship with the external auditors

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Group

- (d) to monitor integrity of financial statements of the Group and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Group's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Committee should focus particularly on: -
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;

- (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting;
- (e) In regard to (d) above:-
- (i) members of the Committee must liaise with the Company's Board of directors and senior management and the Committee must meet, at least twice a year, with the external auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of financial reporting system, risk management and internal control systems

- (f) to review the Company's financial controls, risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function;
- (h) to consider any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- (i) to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting

records, financial accounts or systems of control and management's response;

- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

Others

- (m) to review arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (n) to act as the key representative body for overseeing the Company's relations with the external auditor.
- (o) to report to the Board on the matters set out in Appendix 14 of the Exchange Listing Rules; and
- (p) to consider other topics, as defined by the Board.

Notes: The following are only intended to be suggestions as to how compliance with the Exchange Listing Rules may be achieved.

1. *The Committee may wish to consider establishing the following procedure to review and monitor the independence of external auditors:-*
 - (i) *consider all relationships between the Company and the audit firm (including the provision of non-audit services);*
 - (ii) *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 rotation of audit partners and staff; and*
 - (iii) *meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.*
2. *The Committee may wish to consider agreeing with the Board the Company's policies relating to the hiring of employees or former employees of the external auditors and monitor the application of such policies. The Committee should then be in a position to consider whether in the light of this there has*

been any impairment or appearance of impairment, of the auditor's judgement or independence in respect of the audit.

3. *The Committee should ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Committee may wish to consider:*
 - (i) *whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;*
 - (ii) *whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;*
 - (iii) *the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm; and*
 - (iv) *the criteria which govern the compensation of the individuals performing the audit.*

Reporting procedures

10. The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

2 February 2016