

PLASMON PLC AUDIT COMMITTEE TERMS OF REFERENCE

(updated 19 May 2005)

1. Constitution

The Audit Committee (“the Committee”) reports directly to the main Board, with all recommendations of the Committee being referred back to the Board.

2. Purpose

- 2.1 To assist the Board (and therefore the individual Directors) in fulfilling its legal responsibilities especially with regard to the Group’s financial and accounting systems and published financial statements.
- 2.2 To review the external audit procedure and satisfy itself that it is conducted in a thorough, efficient and effective manner.
- 2.3 To review the Company’s financial reporting and internal control and risk management systems and to satisfy itself that they are both appropriate and effective and that they are being effectively applied for maintaining an appropriate relationship with the Group’s auditors.
- 2.4 To monitor compliance with the operational regulations of the Group.
- 2.5 To review and approve the Group’s risk management programme and to monitor the results thereof.
- 2.6 To provide further assurance to the Board, Shareholders and other stakeholders that:
 - 2.6.1 there is a working relationship between the external auditors and the executive management.
 - 2.6.2 any material matters arising from any audit compliance or risk analysis are brought to the attention of the Board, acted upon and followed through.
 - 2.6.3 the external auditors have a forum for discussion and channel of communication to the Board.
 - 2.6.4 the Group’s internal central processes are subject to periodic review.
 - 2.6.5 the Group’s financial processes are subject to periodic review.
 - 2.6.6 the Group’s published financial statements have been prepared on the basis of information that is true and fair.

3. Membership

- 3.1 The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, and shall consist of not less than three members. All the Members of the Committee shall be Non-Executive Directors. At least one member of the Committee should have recent and relevant financial experience.
- 3.2 The Board, on the recommendation of the Nomination Committee, shall appoint the Chairman of the Committee. In the absence of the Chairman of the Committee, the remaining members present shall elect one of their number to chair the meeting.
- 3.3 The Group Secretary or his nominee shall be the Secretary of the Committee. Alternatively the Committee may at each meeting appoint one of their number to be Secretary of the Committee.

4. Attendance at Meetings

- 4.1 The quorum necessary for the transaction of business by the Committee shall be two members.
- 4.2 Notice of each meeting of the Committee, confirming the venue, day, date and time and enclosing an agenda of the items to be discussed shall, unless otherwise agreed by all concerned, be forwarded to each member of the Committee not fewer than 5 working days prior to the date of the meeting with supporting papers.
- 4.3 The Chief Executive Officer, Finance Director and representatives of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance, and other executive managers shall be invited to attend as appropriate.
- 4.4 At each meeting the Committee should consider the need to have a meeting with the representatives of the external auditors, without management being present.
- 4.5 The Chairman of the Committee is to be available to answer questions at the Annual General Meeting.

5. Frequency of Meetings

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

6. Authority

- 6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to require internal finance staff to undertake specific audit projects, and to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 6.2 The Committee is authorised by the Board to obtain such resources as it needs in order to:
 - 6.2.1 obtain an appropriate view of current accounting developments and financial controls.
 - 6.2.2 provide any appropriate training which members of the Committee wish to obtain for themselves.
 - 6.2.3 discharge its duties, including obtaining outside legal or other professional advice and to invite outsiders with relevant experience to attend meetings as it may deem necessary.

7. Duties

- 7.1 To consider and make recommendations in respect of the appointment, re-appointment, and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditors.
- 7.2 To discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure co-operation where more than one audit firm is involved.
- 7.3 To review and make recommendations to the Board in respect of the external auditor's management letter and management's response thereto.
- 7.4 To keep under review the results of the audit and its cost effectiveness and the independence and objectivity of the external auditors.
- 7.5 Where the external auditors also supply non-audit services to the Group, the Committee shall keep the nature and extent of such services under review, seeking to balance the maintenance of independence and value for money.

8. Financial Statements

- 8.1 To review and make recommendations to the Board in respect of the consistency of accounting policies both on a year by year basis and across the group
- 8.2 To monitor the integrity and review and recommend the half yearly and annual financial statements together with related announcements of the Group before submission to the Board, focusing particularly on:
- Any changes in accounting policies and practices;
 - The appropriateness of existing accounting policies and practices;
 - Decisions requiring a major element of judgement;
 - The extent to which the financial statements are affected by any unusual transactions;
 - The clarity of disclosures;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Compliance with accounting standards;
 - Compliance with stock exchange and legal requirements.
- 8.3 To review the Company's statement on internal control systems, corporate governance report and Directors' responsibilities prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the company.
- 8.4 To review and make recommendations to the Board in respect of problems and reservations arising from the interim and final audits and any other matters the external auditor may wish to discuss.
- 8.5 To review the statement by the Directors to be included in the annual report on the going concern status of the Company and the Group and any supporting assumptions and qualifications and make recommendations to the Board as appropriate.

9. Internal Control and Risk Assessment

- 9.1 To review and make recommendations to the Board in respect of the Group's risk management strategy, focusing on business risk, operational effectiveness and internal controls.
- 9.2 To keep under review the effectiveness of the Company's financial reporting and internal control procedures and procedures for the identification, assessment and reporting of risks.
- 9.3 To review and make recommendations to the Board in respect of any such findings arising from internal investigations as the Committee may consider to be significant.
- 9.4 When considered appropriate, to commission an investigation into any matter of concern within the terms of reference of the Committee, consider the findings thereof and make appropriate recommendations to the Board.
- 9.5 To ensure appropriate action has been taken by line managers in response to recommendations arising from any external audit, operational compliance or business risk report and to monitor such action, making such recommendations to the Board as deemed appropriate by the Committee.
- 9.6 To review the Company's procedures for handling allegations from whistleblowers.
- 9.6 To consider other topics, as defined by the Board.

10. Reporting Procedures

- 10.1 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, the external auditor, internal audit team and any other attendees at Committee meetings as appropriate.
- 10.2 The existence, purpose and membership of the Committee will be disclosed in the Company's Annual Report and Accounts.