

POCHIN'S PLC
AUDIT COMMITTEE
TERMS OF REFERENCE

Adopted by the Committee on 10 June 2009

Reference to "the committee" shall mean the audit committee.

Reference to "the board" shall mean the board of directors.

1. Membership and attendance

- 1.1 Members of the committee shall be appointed by the board, on the recommendation of the nominations committee in consultation with chairman of the audit committee. The committee shall be made up of at least three members.
- 1.2 All members of the committee shall be independent non-executive directors, at least one of whom should have recent and relevant financial experience. The chairman of the board can be a member of, but not chair, the committee, provided he was considered independent on appointment.
- 1.3 Appointments to the committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent. Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.
- 1.4 The board, on the recommendation of the nominations committee, shall appoint the committee chairman who shall be an independent non-executive director. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.5 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chairman of the board, chief executive, finance director, other directors and any relevant senior management may be invited to attend all or part of any meeting as and when appropriate.
- 1.6 The external auditors will be invited to attend meetings on a regular basis. The committee should have at least one meeting, or part thereof, with the external auditor without management being present.

The present members of the committee are:

N. R. L. Fry (chairman of the committee)

M. Chadwick

R. Fildes

In attendance would normally be:

J. Moss (chief executive)

J. Edwards (finance director)

D.J. Hedley (company secretary)

2. Secretary

- 2.1 The Company Secretary or their nominee shall act as the secretary of the committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

4. Frequency of Meetings

- 4.1 The committee shall meet at least four times each year; in September to coincide with the approval of the Annual Report and Accounts, in February to coincide with approval of the Interim Results, in April to review risk and internal controls, and in July with the Auditors to agree an outline Audit plan.

5. Notice of Meetings

- 5.1 The secretary of the committee shall call meetings of the committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than five working days prior to the date of the meeting. Supporting papers shall be sent to committee members and to other attendees at the same time.

6. Minutes of Meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.
- 6.2 The secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of committee meetings shall be circulated to all members of the committee and to the chairman and, once agreed, to all members of the board, unless a conflict of interest exists.

7. Annual General Meeting

- 7.1 The chairman of the committee shall attend the AGM prepared to respond to any shareholder questions on the committee's activities.

8. Duties

The committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate

8.1 Internal control and risk management systems

The committee shall:

- 8.1.1 keep under review the effectiveness of the company's internal control policies and procedures for the identification, assessment and reporting of risks;
- 8.1.2 review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.2 Internal audit

The committee shall regularly review and consider whether or not there is a need for an internal audit function in the context of the company's overall risk management system.

8.3 External audit

The committee shall:

- 8.3.1 consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for new auditors and if an auditor resigns, the committee shall investigate the issues leading to this and decide whether any action is required;
- 8.3.2 oversee the relationship with the external auditor including (but not limited to):
 - 8.3.2.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate;
 - 8.3.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.3.2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 8.3.2.4 satisfying itself that there are no relationships between the auditor and the company (other than in the ordinary course of business);
 - 8.3.2.5 consideration and approval of a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy;
 - 8.3.2.6 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
 - 8.3.2.7 seeking to ensure co-ordination with the activities of the internal audit function; and
- 8.3.3 meet regularly with the external auditor, including once at the planning stage, where the scope of the audit will be considered, and once post audit at the reporting stage. The committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 8.3.4 review the findings of the audit with the external auditor, including but not limited to, a discussion of any major issues which arose during the audit, any accounting and audit judgements and levels of errors identified during the audit;
- 8.3.5 review any representation letters requested by the external auditor before they are signed by management;
- 8.3.6 review the management letter and management response to the auditor's findings and recommendations;
- 8.3.7 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

8.4 Financial reporting

- 8.4.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain documents, such as announcements of a price sensitive nature;
- 8.4.2 The committee shall review and challenge where necessary:
 - 8.4.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;
 - 8.4.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.4.2.3 the clarity of disclosures in the company's financial reports and the context in which statements are made;
 - 8.4.2.4 whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; and

- 8.4.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management)
- 8.4.3 The committee shall review the annual financial statements of the pension funds where not reviewed by the board as a whole.

8.5 Reporting responsibilities

- 8.5.1 The committee or its chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.5.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.5.3 The committee shall compile a report to shareholders on its activities to be included in the company's annual report.

8.6 Whistleblowing and fraud

- 8.6.1 The company shall:
- 8.6.2 review the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- 8.6.3 review the company's procedures for detecting fraud.

8.7 Other Matters

The committee shall:

- 8.7.1 have access to sufficient resources in order to carry out its duties, including access to the company secretary as required.
- 8.7.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 8.7.3 give due consideration to laws and regulations, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate.
- 8.7.4 be responsible for co-ordination of the internal and external auditors.
- 8.7.5 oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort.
- 8.7.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

9. Authority

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of the company in order to perform its duties.
- 9.2 to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.
to call any member of staff to be questioned at a meeting of the committee as and when required.