

KEWILL PLC
AUDIT SUB-COMMITTEE OF THE BOARD OF DIRECTORS
TERMS OF REFERENCE

1. Constitution

The Board hereby resolves that the existing terms of reference for the audit sub-committee as at 23rd December 2009 shall with effect from such date be replaced by the terms of reference detailed below, and that the conduct of the audit sub-committee shall thereafter be subject to these Terms.

2. Definitions

In these Terms the following words have the following meanings:

“Board”	the board of directors of the Company;
“Chairman”	the chairman of the Committee;
“Committee”	the audit sub-committee of the Board;
“Company”	Kewill plc with registered number 037515;
“Secretary”	the secretary to the Committee;
“Terms”	these terms of reference.

3. Composition

3.1 The Committee shall be appointed by the Board.

3.2 Subject to provision 3.3:

3.2.1 all members of the Committee shall be independent non-executive directors of the Company; and,

3.2.2 the committee shall consist of not less than three members.

3.3 Where the Board is composed of two or less independent NEDs, a non-independent NED may be a member of the Committee until such time as an independent NED is available to fulfil such role.

3.4 A quorum shall be two members.

3.5 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.

3.6 The chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors. In the absence of the Chairman (or a nominated deputy) the remaining members present shall elect a chairman for the purposes of that specific meeting.

4. Attendance at meetings

4.1 The finance director, the head of internal audit (where such function exists), and a representative of the external auditors shall attend meetings at the invitation of the committee.

4.2 The chairman of the Board, the CEO and other Board members shall attend if invited by the Committee.

4.3 There should be at least one meeting per financial year, or part thereof, where the external auditors attend without management present.

4.4 The company secretary (or his/her nominee from time to time) shall be the Secretary.

5. Frequency & notice of meetings

5.1 Meetings shall be held not less than three times a year, and where appropriate should coincide with key dates in the Company's financial reporting cycle.

- 5.2 External auditors or internal auditors may request a meeting if they consider that one is necessary.
- 5.3 Meetings of the Committee shall be summoned by the Secretary at the request of any member of the Committee.
- 5.4 Unless agreed otherwise, notice of each meeting (confirming location, timing and agenda) shall be circulated to each member of the Committee at least 2 working days prior to the date of the meeting.

6. **Reporting procedures**

- 6.1 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
- 6.2 The Chairman or, as a minimum, another member of the Committee, shall attend the Board meeting at which the accounts are approved.
- 6.3 The Committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the Board.
- 6.4 The Committee's duties and activities during the year shall be disclosed in the annual financial statements.
- 6.5 The Chairman shall attend the AGM and shall answer questions, through the chairman of the Board, on the Committee's activities and their responsibilities.

7. **Authority**

The Committee is authorised by the Board to:

- 7.1 investigate any activity within these Terms;
- 7.2 seek any information that it requires from any employee of the Company and all employees are directed to cooperate with any request made by the Committee; and,
- 7.3 obtain outside legal or independent professional advice and such advisors may attend meetings as necessary.

8. **Responsibilities**

The responsibilities of the Committee shall be:

- 8.1 to consider the appointment of the external auditor and assess independence of the external auditor, ensuring that key partners are rotated at appropriate intervals;
- 8.2 to recommend the audit fee to the Board and pre-approve any fees in respect of non audit services provided by the external auditor and to ensure that the provision of non audit services does not impair the external auditors' independence or objectivity;
- 8.3 to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- 8.4 to oversee the process for selecting the external auditor and make appropriate recommendations through the board to the shareholders to consider at the AGM;
- 8.5 to review the external auditor's management letter and management's response;
- 8.6 to review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- 8.7 to consider management's response to any major external or internal audit recommendations;
- 8.8 to approve the appointment or dismissal of the head of internal audit;
- 8.9 to review the company's procedures for handling allegations from whistleblowers;
- 8.10 to review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management;

- 8.11 to review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
- a. critical accounting policies and practices, and any changes in them;
 - b. decisions requiring a major element of judgement;
 - c. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - d. the clarity of disclosures;
 - e. significant adjustments resulting from the audit;
 - f. the going concern assumption;
 - g. compliance with accounting standards;
 - h. compliance with stock exchange and other legal requirements;
 - i. reviewing the company's statement on internal control systems 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; and,
 - j. to consider other topics, as defined by the Board.