

BROOKS MACDONALD GROUP PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

1 Composition and Procedure

1.1 The Audit Committee shall consist of a minimum of two members, comprising a Chairman and at least one other member. The Audit Committee shall be appointed by the Board and membership shall be confined to non-executive Directors. The members of the Audit Committee for the time being shall be:-

Christopher Knight (Chairman)

Simon Wombwell

1.2 The majority of members of the Audit Committee shall be independent of the management of the Company. Other directors and employees of the Company's subsidiaries (which together with the Company, the "Group") may be invited by the Audit Committee to attend meetings as and when appropriate. It is expected that the Chief Executive and Finance Director will be invited to attend meetings, but shall not be entitled to vote.

1.3 Care should be taken by the Audit Committee to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. It is recommended that, where possible, the Chairman and members of the Audit Committee should be rotated on a regular basis.

1.4 In the absence of the Audit Committee Chairman and/or an appointed deputy, the remaining members present shall elect one other member present to chair the meeting.

1.5 The Company Secretary or his/her nominee shall act as the Secretary of the Audit Committee.

- 1.6 The quorum for the transaction of business shall be two members, of whom at least one must be clearly independent. A duly convened meeting of the Audit 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 Audit Committee.
- 1.7 The Audit Committee shall meet not less than twice a year and at such other times as the Audit Committee Chairman shall require. Meetings of the Audit Committee may be held by telephone.
- 1.8 Any member of the Audit Committee may request that a meeting be convened by the Secretary of the Audit Committee. The Company's external auditors may request that a meeting be convened if they deem it necessary.
- 1.9 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be forwarded to each member of the Audit Committee, any other person required to attend and all other non-executive Directors, no fewer than five business days prior to the date of the meeting.
- 1.10 The Secretary shall minute the proceedings and resolutions of all meetings of the Audit Committee. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 1.11 Minutes of Audit Committee meetings shall be circulated promptly to all members of the Board.

2 **Annual General Meeting**

The Audit Committee Chairman shall attend each annual general meeting of the Company prepared to respond to any shareholder questions on the Audit Committee's activities.

3 **Duties**

3.1 **Internal Control and Risk Assessment**

The Audit Committee shall keep under review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks.

3.2 **External Audit**

3.2.1 The Audit Committee shall consider and make recommendations to the Board in relation to the appointment and re-appointment of the Company's external auditors.

3.2.2 The Audit Committee shall meet with the external auditors at least twice each year, once at the planning stage prior to the audit and once post audit at the reporting stage. If more than one audit firm is involved the Audit Committee shall monitor co-ordination between them.

3.2.3 The Audit Committee shall keep under review the relationship with external auditors including (but not limited to):-

3.2.3.1 the independence and objectivity of the external auditors;

3.2.3.2 the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities; and

3.2.3.3 discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made regarding the Company's internal auditing standards.

3.3 **Internal Audit**

The Audit Committee shall consider at least once a year whether there is a need for an internal audit function.

3.4 **Financial Statements**

3.4.1 The Audit Committee shall keep under review the consistency of accounting policies both on a year to year basis and across the Group.

3.4.2 The Audit Committee shall be responsible for satisfying itself that:-

3.4.2.1 the annual accounts, the preliminary statement of financial results, the interim statement of financial results and any other major financial statements issued by the Company follow generally accepted accounting principles and give a fair and meaningful account of the Company's and its subsidiary undertakings' affairs; and

3.4.2.2 matters raised by the external auditors about any aspect of the accounts or of the Company's control and audit procedures are appropriately considered and, if necessary, brought to the attention of the Board, for resolution.

3.4.3 The Audit Committee shall exercise the following powers and discretions:-

3.4.3.1 reviewing of the half-year and annual accounts before their submission to the full Board, focusing in particular on:-

- (i) any changes in accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments arising from the audit;

(iv) the “going concern” assumption;

(v) compliance with accounting standards; and

3.4.3.2 compliance with legal and regulatory (including as to corporate governance) requirements;

3.4.3.3 discussion in the absence of the executive Directors (if appropriate) of any problems or reservations which the Company’s auditors may have arising from final audits and any interim audits or otherwise;

3.4.3.4 reviewing of the Company’s external auditors’ management letter and management’s response;

3.4.3.5 consideration of the major findings of internal investigations and management’s response; and

3.4.3.6 consideration of any other matter specifically referred to the Audit Committee by the full Board.

3.5 **Reporting Responsibilities**

3.5.1 The Audit Committee or its Chairman shall meet formally with the Board at least once a year to discuss such matters as the annual report and the Company’s relationship with its external auditors.

3.5.2 In the light of its other duties, the Audit Committee shall make whatever recommendations to the Board it deems appropriate and shall compile a report to shareholders to be included in the Company’s annual report and accounts.

3.6 **Other Matters**

3.6.1 The Audit Committee shall be responsible for co-ordination of the internal and external auditors.

3.6.2 The Audit Committee shall oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.

3.6.3 The Audit Committee shall, on a regular basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.

4 **Authority**

The Audit Committee is authorised by the Board:-

4.1 to seek any information it requires from any employee, consultant and other provider of services to the Company (for example, solicitors, tax advisers, management consultants) in order to perform its duties;

4.2 to obtain, at the cost of the Company, such outside legal or other independent professional advice as the Audit Committee shall consider, in its discretion, to be appropriate to the exercise of its powers and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.