

Audit and Risk Management Committee Terms of Reference

Constitution

1. The Board has resolved to establish a committee of the Board to be known as the Audit and Risk Management Committee (the Committee).

Purpose

2. The Audit and Risk Management Committee is a committee of the Board appointed in accordance with Article 133 of the Company's Articles of Association whose purpose is to assist the Board in:

- (a) ensuring that the Group's published financial statements comply with statutory requirements and accounting standards;
- (b) reviewing the effectiveness of the Group's internal controls, risk management and audit arrangements and investigate and advise on these or related matters which are referred to it or that it considers to be necessary; and
- (c) discussing with the Company's external and internal auditors matters arising from their work and encourage and monitor compliance with relevant codes of best practice in corporate governance.

Membership

3. The Committee shall be appointed by the Board from amongst the non executive directors of the Company and shall consist of at least three members. A quorum shall be two members. With effect from 1 January 2005, all the members shall be independent i.e. independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. At least one member of the Committee shall have recent and relevant financial experience. The Committee members will normally serve for a period of three years extendable by no more than two additional three-year periods unless the Board otherwise determines, subject to the members' retirement as directors by rotation in accordance with the terms of the Company's Articles of Association and the provisions of the Combined Code on Corporate Governance.

4. The Chairman of the Committee shall be appointed by the Board from the members of the Committee. With effect from 1 January 2005, the Chairman of the Board shall not be a member of the Committee.

5. The members of the Committee shall be identified in the Company's Annual Report.

Attendance at meetings

6. Other Board members, the external auditor, the Chief Executive, the Group Finance Director, the Head of Internal Audit, Head of Security and the Company Secretary may be invited to attend all or part of any meetings as and when appropriate.

7. At least once a year the Committee shall meet with the external auditors without executive Board members present.

8. The Committee shall appoint the Company Secretary to be the Secretary of the Committee.

9. Meetings may be held by telephone.

10. Where an internal audit or security function is discussed at a meeting, the Head of Internal Audit and the Head of Security should normally attend that meeting.

11. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

12. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board.

Frequency of meetings

13. Meetings shall be held at least four times a year, although they will normally be held 6 times a year. The external or internal auditors may request a meeting if they consider that one is necessary.

14. Papers will normally be circulated at least 4 working days prior to a meeting.

Authority

15. The Committee is authorised by the Board to investigate any activity which falls within these terms of reference. It is authorised to seek any information it requires from any employee of the Company and all employees are directed to co-operate with any request made by the Committee. It shall have sufficient resources in order to carry out its duties.

16. 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

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experience and expertise if it considers this necessary at the cost of the Company. The Committee shall follow the “Guidelines for Seeking Independent Professional Advice” adopted by the Board.

17. The Head of Internal Audit and the Head of Security shall have the right of direct access to the Audit Committee Chairman, should the need arise.

Duties

18. The Committee shall:

- (a) assist the Board in ensuring that the Company’s published financial statements comply with statute and accounting standards and monitor the integrity of both these statements and any formal announcements relating to the Company’s financial performance;
- (b) review the effectiveness of the Company’s internal controls, risk management and audit arrangements and investigate and advise on these or related matters which are referred to it or that it considers necessary;
- (c) review the Company’s statements on internal control and risk management to be included in the annual accounts prior to endorsement by the Board;
- (d) oversee the relationship with the external auditors including but not limited to the matters referred to below;
- (e) review and approve the annual audit plan and discuss with the Company’s auditors matters arising from their work and encourage and monitor compliance with relevant codes of best practice in corporate governance;
- (f) keep under review the scope and results of the annual audit and its cost effectiveness;
- (g) assess annually the auditor’s independence, objectivity, qualifications, expertise and resources and the effectiveness of the audit process and satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) and receive a report from the auditor on its own internal procedures regarding quality and conflicts of interest;
- (h) monitor the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partners and the level of fees paid by the Group compared to the overall fee income of the firm and other related requirements;

- (i) approve the non-audit services policy and such non-audit service fees provided by the external auditor which are required to be approved by the Committee in accordance with this policy. The Committee shall also review at each meeting a summary of non-audit service fees;
- (j) agree with the Board a policy on the employment of former employees of the Company's auditor and monitor implementation of this policy;
- (k) consider the appointment or re-appointment of the external auditor, any change in audit partner, the audit fee and terms of engagement, and any questions of resignation or dismissal of the external auditor and make appropriate recommendations to the Board;
- (l) review the half-year and annual financial statements before submission to the board, focusing particularly on the following matters and challenging where necessary:
 - (i) (any changes in) accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumptions;
 - (v) compliance with accounting standards;
 - (vi) compliance with the Financial Services Authority's/UK Listing Authority's Rules and other regulatory or legal requirements;
- (m) review the report to shareholders on the role and responsibilities of the Audit Committee;
- (n) discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss without executive Board members present;
- (o) review the external auditor's management letter and management's response and the letter of representation from the Board to the auditor;
- (p) review the internal audit programme, ensure co-ordination between the internal and external auditors/co-ordination of more than one audit, and ensure that the internal audit function is effective, adequately resourced and has appropriate standing and access to information within the Group to enable it to fulfil its mandate and consider any material issues arising from these audits;
- (q) approve the appointment and removal of the Head of the Internal Audit function;

- (r) review all reports on the Group from the internal and external auditors and review and monitor management's responsiveness to the findings and recommendations;
- (s) meet the Head of Internal Audit at least once a year, without management being present, to discuss Internal Audit's remit and any issues arising;
- (t) review the performance and effectiveness of the Internal Audit Department on an annual basis in the context of the Group's overall risk management system;
- (u) approve the Group's whistle-blowing policy, periodically review its effectiveness and monitor any notifications made under it;
- (v) consider other topics, as defined by the Board;
- (w) at least once a year review its own performance, constitution and terms of reference.

Reporting procedures

19 The Committee Chairman shall report formally to the Board on its proceedings after each meeting.

20. The Committee shall report to shareholders on its activities in the Annual Report.