

AUDIT COMMITTEE TERMS OF REFERENCE

Hansteen Holdings PLC ("the Company")

Terms of Reference for the Audit Committee adopted on 22 November 2005 (as amended on 25 September 2009).

References to the "**Chief Executive Officer**" shall include each of the Joint Chief Executive Officers as the context requires.

1. ESTABLISHMENT AND ROLE

- 1.1 The Audit Committee has been established by resolution of the board of directors of the Company ("**the Board**") and is known as the Audit Committee.
- 1.2 The role of the Audit Committee is to monitor the integrity of the financial reporting by the Company, to review the Company's internal control and risk management systems, to monitor and review the necessity for the Company to have an internal audit function and to make appropriate recommendations to the Board and to oversee the relationship with the Company's external auditors.

2. MEMBERSHIP

- 2.1 The members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members. All of the members shall be unconnected with the management of the Company and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. A quorum shall be two members. If membership falls below three members, the Board may appoint other non-executive members to the Audit Committee for an interim period.
- 2.2 At least one of the members shall have recent and relevant financial experience.
- 2.3 The Chairman of the Audit Committee shall be a non-executive director who shall be appointed by the Board. In the absence of the Chairman of the Audit Committee and/or an appointed deputy, the remaining members shall elect one of themselves to chair any relevant meetings.
- 2.4 The Chairman of the Board shall be permitted to be a member of the Audit Committee.
- 2.5 Members of the Audit Committee shall be named in the Annual Report and Accounts of the Company.

3. ATTENDANCE AT MEETINGS

- 3.1 Only members of the Audit Committee have the right to attend Audit Committee meetings. However, other individuals such as the Chairman of the Board (if he is no longer a member of the Audit Committee), the Chief Executive Officer and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate. In addition, the external auditors will be invited to attend meetings of the Audit Committee on a regular basis.

4. FREQUENCY OF MEETINGS

- 4.1 Meetings shall be held when the Chairman of the Audit Committee deems appropriate, but in any event meetings shall be held at least two times a year. The external auditors of the Company may request a meeting if they consider that one is necessary.
- 4.2 The Audit Committee shall be able to meet at least once per year with the external auditors with no other executive directors present.
- 4.3 Notice of each meeting of the Audit Committee confirming the venue, time and date, and enclosing an agenda of items to be discussed, shall be forwarded to all members of the Audit Committee, and any other person required to attend, not less than three working days before the meeting, or such shorter time period to which all members of the Audit Committee agree.

5. AUTHORITY

- 5.1 The Audit Committee is authorised by the Board to investigate any activity within its term of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any reasonable requests made by the Audit Committee.
- 5.2 The Audit Committee is authorised by the Board at the expense of the Company to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6. DUTIES

The Audit Committee should carry out the duties below for the Company, its subsidiary undertakings and the Group as a whole, as appropriate.

6.1 Financial Reporting

- (A) The Audit Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- (B) The Audit Committee shall review and challenge where necessary:
 - (1) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
 - (2) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (3) compliance with stock exchange and other reporting requirements; and
 - (4) 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).

6.2 **Internal Controls and Risk Management Systems**

The Audit Committee shall:

- (A) keep under review the Company's strategy with regard to risk and the effectiveness of the Company's internal financial reporting, internal controls and risk management systems;
- (B) monitor the management's internal financial reporting and reporting of risk;
- (C) review any findings and recommendations of the external auditors, internal auditors (where relevant) and/or other parties in relation to internal controls and risk management and monitor progress in implementing any such findings and recommendations;
- (D) review reports of significant breaches of the risk management system and all frauds (both potential and actual) including the evaluation of the effectiveness of the response in investigating any loss and preventing future occurrences; and
- (E) review and approve the statements to be included in the annual report concerning internal controls and risk management.

6.3 **Whistleblowing and Fraud**

The Audit Committee shall:

- (A) review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- (B) review the Company's procedures for detecting fraud.

6.4 **Internal Audit**

The Audit Committee shall monitor and review the necessity for the Company to have an internal audit function in the context of the Company's overall risk management system and make an annual recommendation to the Board accordingly.

6.5 **External Audit**

The Audit Committee shall:

- (A) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Audit Committee shall oversee the selection process for new auditors and if an auditor resigns the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
- (B) oversee the relationship with the external auditor including (but not limited to):
 - (1) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

- (2) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (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;
 - (4) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business).
- (C) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage;
 - (D) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
 - (E) review the findings of the audit with the external auditor.
 - (F) review the effectiveness of the audit. This shall include, but not be limited to, the following:
 - (1) review any representation letter(s) requested by the external auditor before they are signed by management; and
 - (2) review the management letter and management's response to the auditor's findings and recommendations.

6.6 Reporting Responsibilities

- (A) The Audit Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and the Secretary of the Committee shall circulate the minutes of meetings of the Audit Committee to all members of the Board.
- (B) The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (C) The Audit Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report.