

AUDIT COMMITTEE TERMS OF REFERENCE

Hamworthy plc (the **Company**)

Terms of Reference for the Audit Committee adopted on 13 July 2004.

1 ESTABLISHMENT

1.1 The Committee is to be established by resolution of the board of directors of the Company (the **Board**) and is to be known as the Audit Committee.

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 two members. A quorum shall be two members.

2.2 The Chairman of the Audit Committee shall be a non-executive director who shall be appointed by the Board.

3 ATTENDANCE AT MEETINGS

3.1 The Finance Director (or whomever performs that function on behalf of the Company from time to time) and a representative of the external auditors of the Company shall normally attend meetings of the Audit Committee. Other Board members shall also have the right of attendance.

3.2 The Company Secretary shall be the Secretary of the Audit Committee. For the avoidance of doubt, if the Company Secretary is also an executive director of the Company, he shall not be entitled to vote or be counted in the quorum in respect of any resolution of the Audit Committee.

4 FREQUENCY OF MEETINGS

4.1 Meetings shall be held as and when appropriate, but in any event meetings shall be held at least twice a year

4.2 The Audit Committee shall meet at least once per year with the external auditors with no other executive directors present.

5 NOTICE OF MEETINGS

5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member thereof. The external auditors of the Company may request a meeting if they consider that one is necessary.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with the 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 fewer than 5 working days prior to the meeting.

- 5.3 The Chief Executive shall have the right to attend and speak at the meetings of the committee; others may be called upon or shall be able to speak by prior arrangement with the Chairman of the Committee.

6 AUTHORITY

- 6.1 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.
- 6.2 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.

7 DUTIES

- 7.1 The duties of the Audit Committee shall be:
- 7.1.1 to consider and approve the appointment of the external auditors of the Company, the audit fee and other external remuneration of the auditors, and any questions of resignation or dismissal;
 - 7.1.2 to ensure the independence and objectivity of the external auditors;
 - 7.1.3 to discuss with the external auditors before each annual audit commences the nature and scope of the audit, and other relevant matters;
 - 7.1.4 to review the half year and annual financial statements before submission to the Board, focusing particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) the going concern assumption;
 - (e) compliance with accounting standards; and
 - (f) compliance with London Stock Exchange and legal requirements;
 - 7.1.5 to discuss problems and reservations arising from final audits, interim audits or otherwise, and any matters the external auditors may wish to discuss (in the absence of the executive directors where necessary);
 - 7.1.6 to review the external auditor's management letter and management's response;

- 7.1.7 to review the Company's statement on internal control systems prior to endorsement by the Board;
- 7.1.8 to consider the major findings of any internal investigations and management's response;
- 7.1.9 to review any internal audit programme and ensure that it is adequately resourced; and
- 7.1.10 to consider other topics, as defined by and referred to the Audit Committee by the Board.

8 REPORTING PROCEDURES

- 8.1 The Secretary of the Committee shall circulate the minutes of meetings of the Audit Committee to all members of the Board.