

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF OPENFIELD GROUP LIMITED

Constitution

The board of directors of the society ("the Board") hereby resolves to establish a committee of the board to be known as the "Audit Committee" ("the Committee").

Membership

The Committee shall be appointed by the Board on the recommendation of the Nomination Committee and shall comprise a minimum of three members, at least one of whom shall be a member of the Risk Committee.

All members shall be non-executive directors at least one of whom shall have recent and relevant financial experience with a professional accountancy qualification.

The chairman of the Board shall not be a member of the Committee.

Only members of the Committee shall have the right to attend committee meetings. However, the external auditor and Chief Finance Officer will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited as and when appropriate.

The chairman of the Committee shall be appointed by the Board.

Secretary

The company secretary shall act as secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner.

Quorum

The quorum necessary for the transaction of business shall be two members.

Frequency of meetings

The Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle.

Outside the formal meeting programme, the Committee chairman will maintain a dialogue with key individuals involved in the society's governance, including the Board Chairman, the Chief Executive, the Chief Finance Officer, the external audit lead partner and the head of internal audit.

Notice of meetings

Meetings of the Committee shall be convened by the secretary of the society at the request of any of its members, or at the request of the external auditor, or the head of internal audit if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the time and date together with an agenda of items to be discussed, shall be forwarded to each member no later than five working days before the meeting.

Minutes of meetings

The secretary shall minute the proceedings of all meetings of the Committee.

Draft minutes of the Committee meetings shall be circulated promptly to all members of the

Committee. Once approved, minutes should be circulated to all Board members unless it would be inappropriate to do so in the opinion of the Committee chairman.

Annual General Meeting

The Committee chairman should attend the annual general meeting to answer any member questions on the Committee's activities.

Duties of the committee

Financial reporting

The Committee shall monitor the integrity of the financial statements of society, and any other formal statement relating to financial performance giving due consideration to:-

- any changes to accounting policies and practises
- major judgemental areas
- significant adjustments resulting from the audit
- the going concern assumption
- compliance with accounting standards and other legal requirements taking into account the views of the external auditor

Narrative reporting

The Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable.

Internal controls and risk management systems

The Committee shall keep under review the adequacy and effectiveness of the society's internal financial controls and internal control and risk management systems.

Compliance, whistle-blowing and fraud

The Committee shall review the adequacy and security of the society's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

The Committee will review the company's procedures for detecting fraud, and the prevention of bribery.

Internal audit

The Committee shall:

- approve the appointment of an internal auditor
- review the remit of the internal audit function
- ensure that sufficient resources are made available
- review the results of internal auditor function
- review management responses to the work
- meet the internal auditor once a year without management present

External audit

The Committee shall:

- consider and make recommendations to the board on the appointment of the auditors, the terms of engagement, the audit fee and any questions of resignation or dismissal
- discuss with the auditors before the audit commences the nature and scope of the audit
- consider the auditor's management letter and management's responses
- meet the external auditor at least once a year, without management being present, to discuss the external auditor's remit and any issues arising from the audit
- review the auditors independence, objectivity and effectiveness of the audit

Reporting responsibilities

The Committee chairman shall report formally to the Board after each meeting and make any recommendations to the board it deems appropriate on any area within its remit.

Other matters

The Committee shall:

- have access to sufficient resource to carry out its duties
- be provided with appropriate and timely training both in the form of an induction programme and on an ongoing basis
- be responsible for co-ordination of the internal and external auditors
- work and liaise with other board committees
- arrange for periodic review of its own performance, its constitution and terms of reference.

Authority

The Committee has the full authority and powers of the board in relation to all matters which fall within its areas of responsibility, subject to doing nothing which would diminish the collective responsibility of the Board.

The Committee is specifically authorised to:

- to seek any information it requires from any employee of the Society in order to carry out its duties
- to obtain, at the Society's expense, outside legal or other professional advice on any matter within its terms of reference
- to call any employee to attend a meeting of the committee as and when required.