

TERMS OF REFERENCE FOR AN AUDIT COMMITTEE
("COMMITTEE")
OF THE BOARD OF DIRECTORS OF ASSETCO PLC
("COMPANY")

1. CONSTITUTION AND AUTHORITY

- 1.1 The Committee has been established by the board of Directors of the Company ("**Board**") pursuant to article 94 of the Company's Articles of association and in accordance with the Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003 ("**Combined Code**").
- 1.2 The Committee is authorised to investigate and undertake any activity within these terms of reference. It is authorised to seek any information it properly requires in order to perform its duties from any employee of the Company or any subsidiary undertaking of the Company ("**Group**"). All such employees are directed to co-operate with any such request made by the Committee.
- 1.3 If the Committee considers it necessary so to do, it is authorised to obtain appropriate external professional advice including, without limitation, legal and accounting advice to assist it in the performance of its duties, to secure the services of outsiders with relevant experience and expertise and to invite such persons to attend at meetings of the Committee. The cost of obtaining such advice or services shall be borne by the Company with such limits as may be authorised by the Board from time to time.
- 1.4 Each member of the Committee shall disclose to the Committee:
- 1.4.1 any personal, financial or other interest in any matter to be decided by the Committee;
- 1.4.2 any potential conflict of interest arising from a cross-directorship or otherwise; and
- any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

2. COMPOSITION AND MEETINGS

- 2.1 The Committee shall be appointed by the Board on the recommendation of the nomination committee, in consultation with the audit committee chairman, and where possible shall consist only of independent non-executive directors and shall comprise at least two members. The Board should satisfy itself that at least one member has recent and relevant financial experience.

- 2.2 The Committee shall meet not less than three times in each financial reporting year and at such other times as the Chairman of the Committee shall require. Any member of the Committee or the secretary may at any time convene a meeting of the Committee. If they consider that one is necessary, the Company's external auditors ("**external auditors**") may at any time request a meeting of the Committee. The quorum for any meeting of the Committee shall be two. Meetings may be held by telephone.
- 2.3 Appointments should be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members, where possible, continue to be independent.
- 2.4 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Where possible, the Chairman of the Committee and members of the Committee should rotate on a regular basis.
- 2.5 The Committee may ask the Chairman, Chief Executive, Finance Director and any relevant senior member of staff to attend meetings either regularly or by invitation, but such persons have no right of attendance.
- 2.6 A representative of the external auditors should normally attend all meetings of the Committee. At least once in each year the Committee shall meet the external auditors without the presence of any executive director or other employee of the Company.
- 2.7 The Chairman of the Committee shall be an independent non-executive director. In the event of an equality of votes, the Chairman of the Committee shall have a second or casting vote. The Company Secretary or his or her nominee shall be secretary of the Committee. In the absence of the Chairman of the Committee or any appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

3. DUTIES

- 3.1 The Committee shall:
- 3.1.1 Internal Control and Risk Assessment
- 3.1.2 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 consider and make recommendations to the Board as regards the appointment re-appointment and removal of the Company's external auditors, and shall ensure that key partners within the appointed firm are rotated from time to time. If the Board does not accept the Committee's recommendations there should be included in the Annual Report a statement from the Committee explaining its recommendation and explaining why the Board has taken a different position. If the external auditor resigns, the audit committee should investigate the issues giving rise to such resignation and consider whether any action is required;

- 3.2.2 meet with the external auditors at the planning stage of the audit to discuss the nature and scope of the audit and to ensure co-ordination where more than one audit firm is involved;
- 3.2.3 keep under review the relationship with external auditors including (but not limited to:
- (a) the independence and objectivity of the external auditors (which shall include that, in the event the external auditor carries out non-audit services it does not impair the external auditor's independence or objectivity);
 - (b) approving the terms of engagement and engagement letter at the start of each audit;
 - (c) 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
 - (d) discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made vis-a-vis the Company's internal auditing standards.
- 3.2.4 The audit committee should assess annually the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process. The assessment should cover all aspects of the audit service provided by the audit firm, and include obtaining a report on the audit firm's own internal quality control procedures.
- 3.3 Financial Statements
- 3.3.1 keep under review the consistency of accounting policies both on a year to year basis and across the Group;
- 3.3.2 review and challenge where necessary the Group's quarterly, half-year and annual financial statements before submission to the Board, focussing particularly on:
- (a) any changes in accounting policies and practices;
 - (b) decisions requiring a major element of judgement and risk areas;
 - (c) the extent to which the financial statements are affected by any unusual transactions;
 - (d) the clarity and completeness of disclosures;
 - (e) significant adjustments resulting from the audit;
 - (f) the going concern assumption;
 - (g) compliance with accounting standards;
 - (h) compliance with applicable requirements of the Alternative Investment Market, the London Stock Exchange plc, the Companies Act 1985 and any other legal and regulatory requirements;
 - (i) compliance with the Combined Code; and
 - (j) reviewing the Group's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Group.
- 3.3.3 review any formal announcements containing financial information, whenever practicable, before they are issued;

- 3.3.4 discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss including any matters arising from their work (in the absence of the executive directors and other management, where necessary);
 - 3.3.5 make recommendations to the Board of the items that should be published in the Company's Annual Report relating to the membership of the Committee, number of meetings of the Committee and attendance at those meetings over the course of the year;
 - 3.3.6 review the external auditors' management letters and management's responses (including management representations); and
 - 3.3.7 review the annual financial statements of the pension funds (if any) where not reviewed by the Board as a whole.
- 3.4 Reporting Responsibilities
- 3.4.1 meet formally, or ensure that the Chairman of the Committee meets formally, with the Board of Directors at least once a year to discuss such matters as the Annual Report and the relationship with the external auditors;
 - 3.4.2 Where there is disagreement between the audit committee and the board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreements cannot be resolved, the audit committee should have the right to report the issue to the shareholders as part of the report on its activities in the annual report;
 - 3.4.3 in the light of its other duties, identifying any matters in respect of which it considers that action or improvement is needed and make whatever recommendations to the Board it deems appropriate and compile a report to shareholders to be included in the Company's Annual Report and Accounts; and
 - 3.4.4 review and approve the statements included in the Company's Annual Report in relation to internal control and management of risk.
- 3.5 Other Matters
- 3.5.1 give consideration to dividend policy and payment;
 - 3.5.2 give due consideration to the requirements of the London Stock Exchange plc's AIM Rules;
 - 3.5.3 be responsible for co-ordination of the internal and external auditors;
 - 3.5.4 review the Group's procedures for handling allegations from whistleblowers;
 - 3.5.5 oversee any investigation of activities, which are within its terms of reference and act as a court of the last resort; and
 - 3.5.6 on a regular basis (and at least once a year), review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.

4. ANNUAL GENERAL MEETING

The Chairman of the Committee shall attend each annual general meeting of the Company and be available to answer shareholder's questions.

5. NOTICE OF MEETINGS

The secretary of the Committee shall circulate a notice of any meeting of the Committee confirming the venue, time and date of the meeting and enclosing the agenda of business to be covered at the meeting not less than 5 working days before each meeting of the Committee, to all members of the Committee and the external auditors.

6. MINUTES OF MEETINGS

6.1 The secretary of the Committee shall minute the proceedings and resolutions of all the Committee meetings, including the names of those present and in attendance.

6.2 The secretary of the Committee shall circulate the minutes of Committee meetings to all members of the Committee and to the Chairman of the Board and make them available on request to other members of the Board and the external auditors.

Adopted at the meeting of the Board held on 5 December 2003.


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Chairman