

**VASTox plc**  
**(the 'Company')**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**  
**(the 'Committee')**

The Audit Committee will assist the Board in fulfilling its responsibilities regarding internal controls and the quality of financial information.

**Constitution**

The board of directors of the Company (the '**Board**') hereby resolves that the terms of reference of the audit committee are set out below.

**1. Membership**

The committee shall be appointed by the Board. All members of the committee shall be independent non-executive directors of the company. The committee shall consist of not fewer than three members. A quorum shall be two members.

The chairman of the committee shall be appointed by the Board from amongst the non-executive directors. At least one director shall have recent and relevant financial experience.

**2. Secretary**

The Committee shall appoint a Secretary to the Committee.

**3. Attendance at meetings**

The finance director and a representative of the external auditors shall attend meetings at the invitation of the committee.

The chairman of the Board, the CEO and other Board members shall attend if invited by the committee.

There should be at least one meeting a year, or part thereof, where the external auditors attend without management present.

**4. Frequency of meetings**

Meetings shall be held not less than three times a year, and where appropriate should coincide with key dates in the company's financial reporting cycle.

External auditors may request a meeting if they consider that one is necessary.

**5. Authority**

The committee is authorised by the Board to:

1. investigate any activity within its terms of reference;
2. seek any information that it requires from any employee of the company and all employees are directed to cooperate with any request made by the committee; and

3. obtain outside legal or independent professional advice and such advisors may attend meetings as necessary, at the Company's expense.

## **6 Responsibilities**

The responsibilities of the committee shall be:

- a) to consider the appointment of the external auditor and assess independence of the external auditor, ensuring that key partners are rotated at appropriate intervals;
- b) to recommend the audit fee to the Board and pre-approve any fees in respect of non audit services over 50% of the external audit fee for the previous financial year provided that in any one financial year the aggregate fees in respect of non audit services provided by the external auditor do not exceed the external audit fee for that year. In the event that in any one year the aggregate fees for non audit services exceed the external audit fee all additional fees for non audit services must be pre approved by the audit committee. The committee shall ensure that the provision of non audit services does not impair the external auditor's independence or objectivity;
- c) to place the Group audit engagement to tender on a three-yearly basis beginning in 2009. The committee will have no obligation to re-select the current auditors and will consider only the quality of the audit firm, their appropriateness for the Group and their value for money;
- d) to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- e) to oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the AGM;
- f) to review the external auditor's annual audit highlights memorandum and Management Letter and management's response;
- g) to consider the need for, and if so, review the appropriateness of an internal audit function and ensure that, if appropriate, the internal audit function is adequately resourced and has appropriate standing within the company;
- h) to consider management's response to any major external or internal audit recommendations;
- i) to review the company's procedures for handling allegations from whistleblowers and for handling allegations of fraud or other financial irregularities;
- j) to review management's and, if appropriate, the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management;
- k) to review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
  - i. critical accounting policies and practices, and any changes in them
  - ii. decisions requiring a major element of judgement
  - iii. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed

- iv. the clarity of disclosures
- v. significant adjustments resulting from the audit
- vi. the going concern assumption
- vii. compliance with accounting standards
- viii. Preparation for the implementation of new accounting standards or changes in interpretation
- ix. compliance with stock exchange and other legal requirements
- x. reviewing the company'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 company; and

l) to consider other topics, as defined by the Board.

## **7. Reporting procedures**

The secretary shall circulate the minutes of meetings of the committee to all members of the Board, and the chairman of the committee or, as a minimum, another member of the committee, shall attend the Board meeting at which the accounts are approved.

The committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the Board.

The committee's duties and activities during the year shall be disclosed in the annual financial statements.

The chairman shall attend the AGM and shall answer questions, through the chairman of the Board, on the audit committee's activities and their responsibilities.