



AEA TECHNOLOGY plc
AUDIT COMMITTEE
TERMS OF REFERENCE

Membership

- 1 The Chairman of the Audit Committee (“the Committee”) shall be appointed by the Board on the recommendation of the Nomination Committee. There shall be at least two other members, who shall be appointed by the Board taking advice from the Committee Chairman. All members shall be independent non-executives. The Chairman of the Board may sit on, but not chair, the Committee provided he was considered independent on appointment and the Company is outside of the FTSE 350. The Board shall satisfy itself that at least one member has recent relevant financial experience.
- 2 Members shall serve for a period of up to three years, which may be renewed for up to two additional three year periods and additional one year periods thereafter so long as they remain an independent non-executive director.
- 3 The quorum shall be two. In the absence of the Chairman, the other members present shall choose one of them to chair the meeting.
- 4 The Company Secretary shall be secretary of the Committee.

Meetings

- 5 The Committee shall schedule a minimum of three meetings a year to coincide with key dates in the Company’s financial reporting cycle, and shall agree further meetings at its discretion. The Committee shall have at least one meeting or part of a meeting each year with the external auditor and without management being present.
- 6 The Chairman has the power to call a meeting at his discretion. The external auditor and the head of internal audit each have the right of access to him to request that a meeting is called where they consider that one is necessary. Only members of the Committee have the right to attend its meetings but other individuals may be invited to attend all or part of the meeting as and when appropriate.

Duties

- 7 The duties of the Committee shall be as follows:

7.1 Internal Audit

To approve the appointment and removal of the Head of Internal Audit.

To monitor and review the effectiveness of the internal audit function, including approving the terms of reference of the internal audit function, the planned programme of audits, and any changes to the plan; overseeing co-ordination between internal and external auditors; and satisfying itself that the internal audit function is appropriately resourced.

To promptly review all reports from the internal auditors and the management response.

The Committee shall meet the Head of Audit at least once per year without management present and the Head of Internal Audit shall have the right of direct access to the Committee Chairman.



7.2 External Audit

To consider and make recommendations to the Board to put to shareholders in respect of the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor.

To review and monitor the relationship with the external auditors including:

- the independence and objectivity of the external auditors, including monitoring the firm's compliance with applicable UK ethical guidance relating to the rotation of audit partners;
- developing, implementing and monitoring a policy on use of the audit firm for non-audit services, with the aim of ensuring that auditor objectivity and independence is demonstrably safeguarded ;
- discussions concerning such issues as compliance with accounting standards and any proposals that the external auditors might have regarding the Company's internal auditing standards;
- agreeing in advance the nature and scope of audits, including quality control procedures, and then reviewing afterwards the effectiveness of the audit
- To discuss (in the absence of executive directors if appropriate) problems and reservations arising from any audit, the external auditors' management letter and management's response.

7.3 Financial Statements

To review, and challenge where necessary, the Company's half yearly and annual financial reports, (and any other statements remitted to it by the Board to review) before consideration of these by the Board, focusing on:

- consistency of application of accounting policies and practices across the Group and from year to year, and the adoption of changes
- major judgmental areas
- the extent to which the financial statements are affected by any unusual transaction/s that might lend themselves to a different accounting treatment
- the clarity and completeness of disclosures
- significant adjustments arising from the audit
- the going concern assumption
- compliance with relevant accounting standards and regulatory and legal requirements.
- the committee shall review the annual financial statement of the pension fund when not reviewed by the Board as a whole



7.4 Internal Control and Risk Assessment

To review and advise on the effectiveness of the Company's financial reporting and internal control policies and procedures for risk management.

To review the proposed disclosure by the Company on internal control systems and the supporting information prior to consideration by the Board.

To review the Company's procedures for handling allegations from whistleblowers in matters of financial reporting or other matters, with the aim of satisfying itself that arrangements are in place for investigating concerns that are raised.

Authority

8 The Committee is authorised by the Board to:

- a) investigate, or to review investigations made by others of, any activity within its terms of reference, and to consider the management response;
- b) seek any information that it requires from any employee of the Company in order to perform its duties;
- c) obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference;
- d) call any employee to be questioned; and
- e) invite any director, employee or outside party to attend part or all of any meeting.

Annual Review

9 Once per year the Committee shall review its own performance, constitution and terms of reference, making any recommendations considered necessary to the Board for approval.

Reporting

10 The Committee shall report to the Board on its activities, identifying areas where it considers that actions or improvements are needed and making recommendations on steps to be taken.

11 The Committee shall agree a report to shareholders that complies with relevant Combined Code guidance, for inclusion in the Company's Annual Report and Accounts. The Chairman shall attend the AGM and answer questions on the Committee's activities and responsibilities.

Approved by the Board on 30 April 2009