

BREEDON GROUP plc

AUDIT COMMITTEE

Terms Of Reference

The Audit Committee shall have the following terms of reference:

1. Constitution

1.1 The Board has established a committee of the Board known as the Audit Committee.

1.2 The Terms of Reference for the Committee outlined below are defined by the Board and may only be amended by the Board.

2. Membership

2.1 The Board is responsible for the appointment of members to the Audit Committee, for setting the term of members' appointments and for the revocation of any such appointments.

2.2 The Audit Committee shall comprise not less than two members, both of whom shall be independent Non-Executive Directors, and at least one of whom shall have recent and relevant financial experience. The quorum shall be two Committee members one of whom should be the Committee Chairman unless he/she is unable to attend. All members of the Committee shall be advised of the business to be transacted at any meeting even if they are unable to be present.

2.3 The Chairman of the Committee shall be an independent Non-Executive Director.

2.4 No one other than members of the Committee is entitled to be present at Committee meetings. The Chairman/Group Chief Executive, Group Finance Director, and any other relevant members of management may be invited to attend all or part of any meetings as appropriate. The external auditors shall normally attend meetings of the Committee.

2.5 The Company Secretary shall act as secretary to the Committee and shall produce such papers and minutes of the Committee's meetings as are appropriate, in a timely manner.

2.6 The Committee is authorised by the Board to obtain accounting, legal, or other professional advice from both inside and outside the Group as and when required, at the Company's expense, and to appoint and secure the attendance of external consultants and advisors if it considers this beneficial.

3. Frequency of meetings

3.1 Meetings of the Audit Committee shall be held as necessary but not less than twice a year, and at such other times as the Chairman of the Committee shall require. The external auditors may request a meeting if they consider that one is necessary.

3.2 The Audit Committee shall meet with the external auditors without management being present as the Committee deems necessary.

3.3 The Chairman of the Committee shall report to the Board after each meeting. The minutes of the meetings shall be circulated to all members of the Board, unless a conflict of interest would occur in such circumstances.

4. Duties

The Committee shall fulfil the following duties on behalf of the Company and its subsidiary undertakings and the group as a whole as appropriate;

4.1 Financial Reporting

The Committee shall monitor the integrity of the financial statements of the Company and the consolidated financial statements of the Group before publication and, as necessary, take advice to be assured that the principles and policies adopted in those financial statements, comply with statutory requirements and with best practices in accounting standards, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them, with particular focus on:

- i) significant accounting policies and changes to them;
- ii) significant estimates and judgments;
- iii) significant adjustments resulting from the audit;
- iv) the going concern assumption;
- v) compliance with accounting standards and legal requirements.

4.2 Internal Controls, Risk Management and Compliance Systems

The Committee shall review the effectiveness of the Company's internal financial controls, and the internal control and risk management systems and the compliance environment operating within the group.

4.3 Whistleblowing and fraud

The Committee shall:

4.3.1. review the group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and

4.3.2. review the Group's procedures for detecting fraud

4.4 External Audit

The Committee shall make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and shall approve the remuneration and terms of engagement of the external auditor. It shall consult with the external auditors (and, if any, internal auditors) regarding the extent of their work and review with them all major points arising from the auditors' management letters and the response to them.

4.5 Independence of External Auditor including the provision of non-audit services

4.5.1 The Committee shall review and monitor on an annual basis the external auditor's independence and objectivity and shall review the relationship between the Company and the audit firm.

4.5.2 The Committee shall develop and implement a policy on the engagement of the external auditor to supply non-audit services, and shall explain to shareholders how auditor objectivity and independence is safeguarded.

4.6 Annual Audit Cycle

In relation to the annual audit cycle, the Committee shall review

- i. the external auditor's overall work plan before the audit commences;
- ii. the results of the audit;
- iii. the performance of the external auditor;
- iv. the representation letter;
- v. the effectiveness of the audit process
- vi. the management letter and shall monitor management's responses.

4.7 Annual Report

The Committee shall review and approve the statements within the Annual Report that describe the work of the Committee and its responsibilities, the statement on internal controls and risk management and the attendance records of its members.

5. Other Matters

5.1 The Chairman of the Committee shall be available to answer questions on the Committee's activities at the Annual General Meeting.

5.2 The Committee is authorised by the Board to seek any information it requires from any employee of the Company or its subsidiaries and all such employees shall be directed to co-operate with any request made by the Committee.

5.3 The Committee shall undertake any other related duties as directed by the Board.

These Terms of Reference were adopted by the Board on 27 September 2010.