

TERMS OF REFERENCE

AUDIT COMMITTEE

Constitution

The Audit Committee is a committee of Charles Stanley Group Plc, reporting and making recommendations directly to the Group Board.

Furthermore, as an Audit Committee constituted in accordance with the requirements of EU Directive 2006/43/EC (the Statutory Audit Directive) it has certain defined statutory responsibilities outside its reporting line to the Board as set out in the Directive and the Combined Code.

These Terms of Reference are approved by the Group Board.

Membership

The Committee shall include at least one member who is independent as described in the Combined Code, and one member who has competence in accounting and/or auditing.

The members of the Committee as at 23rd June 2008 are

Gordon Montgomery FCA (who shall act as Chairman)
Michael Clark
Michael Lilwall
Gary Teper

of whom a quorum shall be two.

Other personnel, professional advisers, and representatives of the External Auditors may be in attendance from time to time at the request of the Committee.

Frequency of Meetings

The Committee shall meet on scheduled dates at least four times a year, and at such further times as it deems appropriate.

Minutes, and relationship with the Group Board

The Committee shall record its proceedings and submit the minutes to the next following meeting of the Group Board. The Chairman of the Committee shall be entitled to attend any Group Board meeting at which matters touching on the work of the Committee are discussed, or at which he wishes to raise issues relating to the work of the Committee.

RESPONSIBILITIES OF THE AUDIT COMMITTEE

As a Committee of the Board of Charles Stanley Group PLC, and subject to the direction of the Board (with the authority to make dissenting reports where appropriate):

The financial reporting process

- To monitor the integrity of the financial reporting process, the statutory audit of the annual accounts, the financial statements, and any formal

announcements relating to the company's financial performance, reviewing significant judgements which they contain

Internal financial controls

- To review and monitor the effectiveness of the internal financial control systems

Risk management systems

- To consider the effectiveness of the current allocation of responsibility for monitoring the risk management systems, and if appropriate, take on this responsibility

Internal audit

- To monitor and review the effectiveness of the internal audit function

External auditor

- To recommend on appointment and removal of the external auditor, and to report accordingly to shareholders in accordance with the requirements of the EU Statutory Audit Directive
- To agree the remuneration and terms of appointment of the external auditor
- To review and monitor the independence, objectivity and effectiveness of the external auditor
- To develop and implement policy on the supply of non-audit services by the external auditor

Whistle-blowing

- To review and monitor the Company's whistle-blowing arrangements

Future developments

- To keep abreast of developments in law, EU Directives, regulatory requirements or in practice which may impact on the work of Audit Committees
- To recommend to the Board the adoption of such further responsibilities as may be appropriate in the light of such developments, and to undertake them at the instigation of the Board