

TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE ("the committee")

Reference to "the board" shall mean the Board of Directors of the Company and reference to "the company" shall mean Castings plc.

1 Membership

- 1.1 The committee shall comprise at least two independent members. Members of the committee shall be appointed by the board in consultation with the chairman of the audit and risk committee.
- 1.2 All members of the committee shall, on appointment, be independent non-executive directors at least one of whom shall have recent and relevant financial experience.
- 1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chairman, chief executive, finance director and other directors, may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The external auditor will be invited to attend meetings of the committee on a regular basis.

2 Quorum

- 2.1 The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

3 Frequency of meetings

- 3.1 The committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

4 Secretary and Minutes of meetings

- 4.1 The company secretary shall act as the secretary of the committee.
- 4.2 The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 4.3 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless it would be inappropriate to do so.

5 Annual General Meeting

- 5.1 The committee chairman should attend the annual general meeting to answer shareholder questions on the committee's activities.

6 Duties

The committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

6.1 Financial reporting

6.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

6.1.2 In particular, the committee shall review and challenge where necessary:

- the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;
- the methods used to account for judgmental or unusual transactions where different approaches are possible;
- whether the company has followed appropriate accounting standards and Stock Exchange listing rules and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the assessment of the going concern assumption;
- the clarity of disclosure in the company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

6.2 Internal controls and risk management systems

The committee shall:

6.2.1 keep under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems; and

6.2.2 review and approve the statements to be included in the annual report concerning internal controls and risk management; and

6.2.3 review the need for an internal audit function.

6.3 Compliance, whistleblowing and fraud

The committee shall:

6.3.1 review the adequacy and security of the company's arrangements for its employees and contractors 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;

- 6.3.2 review the company's procedures for detecting fraud;
- 6.3.3 review the company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 6.3.4 keep under review the adequacy and effectiveness of the company's anti-money laundering systems and controls;
- 6.3.5 keep under review the adequacy and effectiveness of the company's compliance function.

6.4 External Audit

The committee shall:

- 6.4.1 consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for a new auditor and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required;
- 6.4.2 oversee the relationship with the external auditor including (but not limited to):
 - recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
- 6.4.3 communicate regularly with the external auditor, including at the planning stage before the audit and once after the audit at the reporting stage.
- 6.4.4 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - a discussion of any major issues which arose during the audit;
 - any accounting and audit judgements;
 - levels of errors identified during the audit;
 - the effectiveness of the audit.

- 6.4.5 review the management letter and management's response to the auditor's findings and recommendations;
- 6.5 Non-audit work
- 6.5.1 The finance director shall consult with the chairman of the committee where the Company is looking to appoint advisers to undertake work where the project fees are expected to exceed £20,000.

7 Reporting responsibilities

- 7.1 The committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 7.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.3 The committee shall produce a report on its activities to be included in the company's annual report.

8 Other matters

The committee shall:

- 8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 8.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate;
- 8.4 oversee any investigation of activities which are within its terms of reference;

9 Authority

The committee is authorised:

- 9.1 to seek any information it requires from any employee of the company in order to perform its duties;
- 9.2 to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 9.3 to call any employee to be questioned at a meeting of the committee as and when required;

9.4 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the committee and the board.