

YELL GROUP PLC
AUDIT COMMITTEE
TERMS OF REFERENCE

Definitions: **"the Committee"** the Audit Committee
 "the Company" Yell Group plc

1 CONSTITUTION

The Committee shall be a committee of the Board of Directors of the Company whose members and Chairman shall be approved by a majority of the Board of Directors, on recommendation of the Nomination Committee.

2 MEMBERSHIP

2.1 The Committee shall comprise of a chairman and at least two other members.

2.2 Only independent non-executive members of the Board may serve on the Committee. The Chairman of the Board shall not be a member of the Committee. At least one member is to have recent and relevant financial experience. .

2.3 The independent members of the Committee shall be independent of the management of the Company and shall have no links with the external auditors. No member of the Audit Committee should also be a member of BOTH the Remuneration and Nomination Committees.

2.4 The Chief Financial Officer and internal audit will attend meetings of the Committee. The Committee may ask the Chairman, Chief Executive Officer, or any other relevant senior manager to attend meetings regularly or by invitation. A representative of the external auditors will be entitled to and, if requested by the Committee, shall attend the meetings.

2.5 Appointments to the committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.

2.6 The Company Secretary or their nominee shall be the Secretary of the Committee.

3 MEETINGS

3.1 The Committee shall meet as appropriate, but not less than four times a year, prior to the annual general meeting and the approval by the Board of quarterly and annual financial reports.

- 3.2 A meeting of the Committee may be called by the Secretary at the request of any member of the Committee, or at the request of external or internal auditors if they consider it necessary.
- 3.3 Meetings of the Committee shall be called and agenda items and associated material shall be circulated by at least seven days written notice unless all the members of the Committee agree to shorter notice.
- 3.4 The quorum for the Committee meetings shall be two.
- 3.5 The Committee will separately meet with the internal and external auditors at least once a year without any executive directors present; the internal and external auditors have the right to request such meetings if they consider them necessary.
- 3.6 The chairman of the Committee will report to the Board at the next Board meeting after each Committee meeting on the proceedings of the Committee at that meeting. A summary of such reports including reference to examination of the annual accounts shall be included in the Company's annual report and accounts for the year in question. The Committee shall make whatever recommendations to the Board that it deems appropriate. The chairman of the Committee may attend the AGM to respond to any shareholder questions on the Committee's activities.
- 3.7 The Secretary will minute the proceedings and resolutions of all meetings as well as keep appropriate records. The minutes will be circulated to all members of the Committee promptly, and once agreed, to all members of the board, unless a conflict of interests exists.

4 DUTIES

The duties of the Committee will be:

- 4.1 To examine and review the quarterly and annual financial accounts of the Company before submission to the Board for approval. The Committee shall keep under review the consistency of accounting policies on a year on year basis and across the Group. The Committee shall review the financial statements particularly in regard to areas of estimation and judgement; the extent to which they are impacted by unusual items; clarity of disclosures; significant adjustments arising from the audit work; going concern; compliance with relevant accounting standards; compliance with stock exchange and other legal and regulatory requirements, taking into account the views of the external auditor;
- 4.2 To review and challenge where necessary the methods used to account for significant or unusual transactions where different approaches are possible;
- 4.3 To review all material information presented with the financial statements, such as the business review and the corporate governance statement (insofar as it relates to the audit and risk management);

- 4.4 to examine the Company's statement on internal control and to review the policies and processes for identifying, assessing and managing business risks;
- 4.5 to consider applications for the post of and approve the appointment of the head of internal audit and to approve any dismissal from the post. To consider and approve terms of reference of the internal audit function and be advised of and approve the planned programme of internal audit work, and review the internal audit findings, ensure the internal audit function has adequate resource and access to information, and also ensure the function has adequate standing and is free from management or other restrictions;
- 4.6 to review and monitor managements responsiveness to the findings and recommendations of the internal auditor;
- 4.7 to review, approve and make recommendations on the selection of external auditors, to be put to the shareholders for approval at the AGM and any questions of resignation or dismissal, and their remuneration, and ensure that key partners are rotated from time to time;
- 4.8 to review and approve the terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 4.9 to review the nature, scope and findings of the external auditors' work, including the quarterly reviews, and any problems, reservations and recommendations arising from their work and any matters they may wish to discuss (in the absence of management where necessary);
- 4.10 to establish a policy as to the non-audit services which it is permissible for the external auditors to provide taking into account relevant ethical guidance regarding the provision of non-audit services, reserving certain matters for the Committee's prior approval where appropriate, and at all times considering whether or not the proposed services are compatible with the auditors' independence. Where the external auditor provides non-audit services, the annual report should explain to shareholders how auditor objectivity and independence is safeguarded in the description of the work performed by the Committee during the year;
- 4.11 to satisfy itself that the Company has taken appropriate steps to identify material risks, to review arrangements made by the Company to ensure adequate internal control, including the work of the Group Audit Department, and the internal audit programme, to ensure co-ordination between internal and external auditors;
- 4.12 to monitor:
 - 4.12.1 the scope and results of the audit, the audit fees which should be paid and the cost effectiveness of the audit, which will include a report from the external auditor on their own quality procedures;

- 4.12.2 the independence and objectivity of the auditors taking into consideration relevant UK professional and regulatory requirements.; and
 - 4.12.3 the competence of financial management and the auditors;
- 4.13 to review and discuss with management and the auditors:
 - 4.13.1 any material financial or non-financial arrangements, including pension funds, for the Company which do not appear on the financial statements of the Company; and
 - 4.13.2 any transactions or courses of dealing with parties related to the Company which are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties, and which arrangements or transactions are relevant to an understanding of the Company's financial statements; and
 - 4.13.3 to review any representation letters requested by the external auditor before they are signed by management;
- 4.14 to submit recommendations to the Board on these and any other matters which may be specifically referred to it by the Board.

5. WHISTLEBLOWING

The Committee shall review the company's arrangements for its employees to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters. The Committee shall ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow up action.

6.0 AUTHORITY

- 6.1 The Committee is empowered in the articles of association of the Company to discharge its functions on behalf of the Board of Directors.
- 6.2 The Committee shall:
 - 6.2.1 have the right to seek and to be provided with any necessary information to fulfil its duties;
 - 6.2.2 have the right to obtain outside legal help and any professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties; and
 - 6.2.3 have the power to call any member of staff to be questioned at a meeting of the Committee as and when required.
- 6.3 The Committee may invite anyone with relevant experience to attend a meeting of the Committee if necessary.

7. DECISIONS OF THE COMMITTEE

Any decisions of the Committee shall be taken on a simple majority basis. The Chairman will have a casting vote in the event of equality of voting.