

**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE
OF NORTHERN IRELAND ENERGY HOLDINGS LIMITED**

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Introduction

1. In order to satisfy itself that the Company complies with good practice in corporate governance, the Board will meet as an Audit Committee. The Board should satisfy itself that at least one member of the Audit Committee has sufficient recent and relevant financial experience.

2. The main roles and responsibilities of the Audit Committee are:
 - To monitor the integrity of the financial statements of the Company and its subsidiaries (the “Group”) and any formal announcements relating to the Group’s financial performance, reviewing significant financial reporting judgements contained in them;
 - To review the Group’s internal financial controls and, to review the Group’s internal control and risk management systems;
 - To consider annually the need for an internal audit function and where appropriate explain in the Annual Report the reasons for the absence of such a function;
 - To make recommendations to the Board, for it to put to the AGM for their approval in general meeting, in relation to 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 external auditor’s independence and objectively and the effectiveness of their process, taking into consideration relevant UK professional and regulatory requirements;
 - To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Proceedings of the Audit Committee

3. The Audit Committee shall meet at least twice in each financial year in such place and at times as the Chairman of the Audit Committee (the "**Chairman**") may determine. The members of the Audit Committee shall appoint the Chairman from time to time from amongst their number, it being acknowledged that if a person who was Chairman ceases to be a member of the committee then he shall forthwith cease to be the Chairman, and the remaining members of the committee shall select a new Chairman from amongst their number.

4. A meeting of the Audit Committee may be convened by the Chairman or by the Secretary. Subject to paragraph 5 below, the quorum for any meeting of the Audit

Committee shall be two members of the committee, provided that this shall include the Chairman.

5. In the event that the number of members of the Audit Committee shall fall below two, the quorum for transaction of business by the committee shall be such number of members of the committee as there are from time to time.
6. In the case of an equality of votes at a meeting of the Audit Committee, the Chairman shall be entitled to an additional or casting vote.
7. The business to be conducted at any meeting of the Audit Committee shall be fixed by the Chairman.
8. Meetings of the Audit Committee may be held in person, by a telephone conference of the members of the Audit Committee or otherwise in such manner and by such means as the Chairman shall determine.
9. The Secretary shall maintain a written record of the proceedings and decisions of the Audit Committee in respect of matters relating to the Company.
10. The Chairman shall (if required by the Board) attend the annual general meeting of the Company and any meeting of the membership of the Company to answer questions on the Audit Policy.
11. The Chairman may direct the Secretary to employ the services of such external legal or other professional advisors, or otherwise commission such reports or surveys, as is deemed necessary to fulfil the responsibilities of the Audit Committee. This shall be funded from within an annual budget approved by the Board for the general administration of the affairs of the Audit Committee in relation to the Company and its subsidiaries.
12. The reasonable expenses of the Chairman and the Audit Committee in connection with discharging their role shall be reimbursed by the Company.