

PSION PLC

AUDIT COMMITTEE TERMS OF REFERENCE

1. Constitution

These terms of reference for the Committee of the Board known as the Audit Committee (“the Committee”) were approved at the Psion PLC Board Meeting held on 28 August 2003.

2. Membership

2.1 The Committee shall be appointed by the Board.

2.2 All members of the Committee shall be independent Non-Executive Directors of the Company. The Committee shall consist of not less than three members.

2.3 The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director and determine the period for which they shall hold office.

3. Secretary

The Company Secretary or their nominee shall act as Secretary of the Committee. Should the Finance Director also be the Company Secretary, then the Chairman of the Committee may appoint an alternative Secretary.

4. Quorum

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.

5. Attendance at Meetings

5.1 The Finance Director and a representative of the external auditors shall attend meetings at the invitation of the Committee.

5.2 The Chairman of the Board, the CEO and other Board members shall attend if invited by the Committee.

5.3 There should be at least one meeting a year, or part thereof, where the external auditors attend without management present.

6. Frequency of Meetings

6.1 The Committee shall meet not less than three times a year and, where appropriate, should coincide with key dates in the company’s financial

reporting cycle. Other meetings shall be at such times as the Chairman shall require.

- 6.2 The external auditors may request a meeting if they consider that one is necessary.

7. Notice of Meetings

7.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chairman of the Committee.

7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee no fewer than five working days prior to the date of the meeting.

8. Minutes of Meetings

8.1 The Secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.

8.2 The Secretary shall circulate the Minutes of meetings of the Committee to all members of the Board. The Chairman of the Committee or, as a minimum, another member of the Committee shall attend the Board Meeting at which financial statements considered by the Committee are approved by the Board.

9. Annual General Meeting

The Chairman shall attend the AGM prepared to answer questions, on the Committee's activities and responsibilities.

10. Duties

The responsibilities of the Committee shall be:

External Audit

- a. To consider the annual appointment of the external auditor and assess independence of the external auditor, ensuring that key partners are rotated at appropriate intervals.
- b. To recommend the audit fee to the Board, pre-approve any fees in respect of non audit services provided by the external auditor and to ensure that the provision of non audit services does not impair the external auditors' independence or objectivity.
- c. To discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.

- d. To oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the AGM.
- e. To review the external auditor's management letter and management's response.

Internal Audit

- f. To review the need for a full time internal audit function and the resources devoted to internal audit activities.
- g. To review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the company.
- h. To consider management's response to any major external or internal audit recommendations.
- i. To review the company's procedures for handling allegations from whistleblowers;

Systems and Controls

- j. To review management's reports on the effectiveness of systems for internal financial control, financial reporting and risk management.

Financial Statements

- k. To review and challenge, where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
 - i. Critical accounting policies and practices and any changes in them.
 - ii. Decisions requiring a major element of judgement.
 - iii. The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed.
 - iv. The clarity of disclosures.
 - v. Significant adjustments resulting from the audit.
 - vi. The going concern assumption.
 - vii. Compliance with accounting standards.
 - viii. Compliance with stock exchange and other legal requirements.
 - ix. Reviewing the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the company.

Other

- l. To consider other topics, as defined by the Board.
- m. To conduct an annual review of the Committee's work and these terms of reference and make recommendations to the Board.
- n. To approve the disclosure of the duties and activities of the Committee during the year in the annual financial statements.

11. Authority

- 11.1 The Committee is authorised by the Board to investigate any activity within its terms of reference.
- 11.2 The Committee is authorised to obtain, at the company's expense, outside legal or independent professional advice on any matters within its terms of reference.