

Imagination Technologies Group plc

Terms of Reference for the Audit Committee

Membership

The members of the Committee shall be the non-executive directors who are independent of management and free of any business or other relationship (including, without limitation, cross-directorships or day-to-day involvement in the managements of the business) which could interfere with the exercise of their independent judgement.

The Chairman of the Committee shall be appointed by the Board.

The quorum of the Committee shall be at least two members.

Secretary

The secretary of the Company shall be the secretary of the Committee.

Attendance

The CFO shall normally attend the meetings. If necessary the committee will invite a representative of the external auditors to attend to discuss specific matters.

At least once a year the Committee shall meet the external auditors without executive directors present.

Frequency of meetings

Meetings shall be held not less than two times a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

The duties of the committee shall be to:

- Consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal of the external auditors.
- Review on a case by case basis whether it is appropriate to use the incumbent auditor to provide any financial services in addition to the statutory audit.
- Discuss and agree with the CFO before the audit commences the nature and scope of the audit proposed by the external auditor.

- Review from time-to-time the cost effectiveness of the audit and the independence and objectivity of the external auditor.
- Review the submission to the Board in relation to any audited accounts, focussing particularly on:
 - Any changes in accounting policies and practice
 - Major Judgemental areas
 - Significant adjustments resulting from the audit
 - The going concern assumption
 - Compliance with accounting standards (and in particular accounting standards adopted in the financial year for the first time)
 - Compliance with UKLA and legal requirements
- Discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).
- Review the external auditor's management letter and management's response.
- Review, on behalf of the Board, the group's system of internal control (including financial, operational compliance and risk management) and make recommendations to the Board.
- Review the proposed statement on the director's review of the group's system of internal control (including financial, operational compliance and risk management) and make recommendations to the Board.
- Review the proposed statement on the director's review of the group's system of internal control (including financial, operational compliance and risk management) prior to endorsement by the Board.
- Review from time-to-time the need for an internal audit function.
- Consider the major findings of internal investigations and management's response.
- Review the group's operating, financial and accounting policies and practices.
- Consider other matters as defined by the Board.
- Report on all of the above matters to the Board.

Minutes

The minutes of meetings of the Committee shall be circulated to all members of the Board.