



CELTIC PLC

CONSTITUTION AND TERMS OF REFERENCE

of the

AUDIT COMMITTEE

**(amended further to a resolution
of the Board of Directors passed on 9 May 2005)**

1. Constitution

The Board of Directors of Celtic plc ("**the Company**") has resolved to adopt this constitution to regulate the function and define the responsibilities of the Audit Committee of the Board ("**the Committee**").

2. Membership

- 2.1. The members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Committee's chairman.
- 2.2. Appointments to the Committee shall be solely from the independent non executive directors of the Company. Independence will be determined by reference to the requirements of the Combined Code Principles of Good Governance and Code of Best Practice ("**the Combined Code**") in force from time to time.
- 2.3. There shall be a minimum of three members of the Committee. Two members must be present to form a quorum.
- 2.4. Wherever possible, at least one member of the Committee shall have recent and relevant financial experience.
- 2.5. The Chairman of the Company shall not be eligible to be a member of the Committee but may be invited to attend meetings of the Committee.
- 2.6. If a member of the Committee is unable to attend a meeting of the Committee for any reason the remaining members of the Committee shall have the power to co-opt any other independent non-executive Director of the Company on to the Committee for the purposes of that meeting.
- 2.7. If a member of the Committee ceases for any reason to be a Director of the Company he shall at the same time automatically cease to be a member of the Committee.

3. Duration of Appointments

Appointments to the Committee shall normally be made for an initial period of up to 3 years but may be extended by up to 2 further periods of 3 years each provided the member remains an independent non-executive.

4. Induction and Training

- 4.1. The Company shall provide an induction programme for new Committee member that is relevant to the business and scale of the Company.

- 4.2. Training shall also be provided to members of the Committee on an ongoing and timely basis. The Company will meet the cost of training.

5. Chairman

The Chairman of the Committee shall be appointed or removed by the Board and shall be required to attend at the Company's annual general meeting to answer questions, through the Chairman of the Board, on the Committee's activities and matters within its scope of responsibility.

6. The Secretary

The Company Secretary shall be the Secretary of the Committee. The Company Secretary shall maintain minutes of meetings of the Committee. The minutes of each meeting will be circulated to the Committee members within one month of the relevant meeting and to other Directors on request.

7. Meetings

- 7.1. Meetings of the Committee shall be held as often as is considered necessary but shall in any event be held on not less than two occasions during each financial year of the Company.
- 7.2. Meetings shall be convened by the Chairman of the Committee or by the Company Secretary at the request of any member of the Committee or pursuant to a resolution of the Board.
- 7.3. The external auditors of the Company may request a meeting if they consider one is necessary.
- 7.4. Meetings shall be held at such time and in such place as may be specified in the notice convening the meeting.
- 7.5. A member may participate in a meeting of the Committee by way of conference telephone.
- 7.6. Notices of all meetings of the Committee together with an agenda of the matters to be discussed and any relevant papers shall be served on all Committee members in accordance with the Articles of Association of the Company.
- 7.7. The Finance Director of the Company shall attend meetings of the Committee unless requested not to. Other board members shall attend if requested to do so by the Committee. The Auditors shall normally attend meetings of the Committee. Except as invited or required to attend by the Committee, no one other than the Chairman of the Committee and its members shall be entitled to be present or represented at meetings of the Committee.

- 7.8. On at least one occasion in each financial year the Committee shall, if thought fit, conduct discussions with the Auditors and the internal auditor without the Company's management being present.

8. Terms of reference

- 8.1. The main role and responsibilities of the Committee shall be to:-
- 8.1.1. monitor the integrity of the financial statements of the Company;
 - 8.1.2. review the Company's internal financial control system and risk management systems;
 - 8.1.3. monitor and review the effectiveness of the Company's internal audit function;
 - 8.1.4. make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
 - 8.1.5. monitor and review the external auditor's independence, objectivity and effectiveness;
 - 8.1.6. develop and implement policy on the engagement of the external auditor to supply non-audit services;
 - 8.1.7. report and make recommendations to the board where the Committee's activities reveal cause for concern or scope for improvement; and
 - 8.1.8. consider such other matters as the Board shall direct.
- 8.2. In carrying out its responsibilities the Committee shall have regard to the Guidance on Internal Control (Turnbull Guidance) and Guidance on Audit Committees (Smith Guidance) contained within the Combined Code on Corporate Governance.

9. Reporting

At the first Board meeting following each meeting of the Committee the Chairman of the Committee shall report to the Board on the proceedings of the Committee and on any recommendation the Committee wishes to make to the Board.

10. Authority and Resources

- 10.1. The Committee is duly authorised by the Board to investigate any activity within its terms of reference. In this respect it is authorised to require any



employee to attend meetings of the Committee and to collect any information which it may require from any employee of the Company.

- 10.2. The Committee may seek external professional advice at the expense of the Company if the Committee considers this to be necessary.
- 10.3. The Committee shall have access to the advice and services of the Company Secretary.
- 10.4. The Company shall ensure that the Committee has sufficient resources available to it to enable the Committee to properly perform its functions.

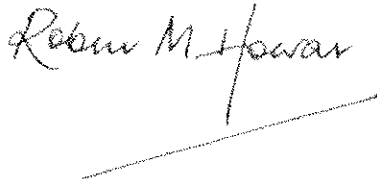
11. Amendment

This Constitution may only be amended pursuant to a resolution of the Board.

12. Articles of Association

The Articles of Association of the Company shall apply to any meetings of the Committee. In the event of a conflict between the Articles of Association and this Constitution, the Articles of Association shall prevail.

By Order of the Board



Company Secretary

Date: 9 May 2005

