

SOUTHERN CROSS HEALTHCARE GROUP PLC

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Audit Committee: Terms of Reference
(as approved by the Board of Directors of Southern Cross Healthcare Group PLC (the "Company") on 8 May 2008)

1. The Audit Committee is a sub-committee of the Board appointed in accordance with the Company's Articles of Association, whose purpose is to assist the board in the effective discharge of its responsibilities for corporate governance, financial reporting and corporate control. The Audit Committee has no executive powers with regard to its recommendations and does not relieve the Directors of their responsibilities for these matters.
2. The Audit Committee comprises not less than three non-executive directors of the Company, to be selected by the Board on the recommendation of the Nomination Committee in consultation with the chairman of the Audit Committee, who are all independent in character and judgement and free from any relationships or circumstances which are likely to affect, or could appear to affect, the Committee member's judgement. At least one member of the Audit Committee has recent and relevant financial experience. The chairman of the Board shall not be a member of the Audit Committee. Appointments to the Committee shall be for a period of up to three years which may be extended by two further three year periods, provided the member remains independent.
3. If any member of the Audit Committee is unable to act for any reason, the chairman of the Audit Committee may appoint any other independent non-executive director of the Company to act as his alternate.
4. The chairman of the Audit Committee shall be appointed by the Board. In the absence of the chairman of the Audit Committee, the remaining members shall elect one of their number to chair the meeting.
5. The Company secretary is the secretary of the Audit Committee.
6. The quorum for meetings of the Audit Committee is any two of its members.
7. No one other than a Committee member is entitled to attend meetings of the Audit Committee but others may attend by invitation. The finance director, the head of internal audit and a representative of the Company's external auditors must attend meetings of the Audit Committee whenever requested by the Audit Committee. At least once a year, the Audit Committee must meet the Company's external auditors without any executive directors present.
8. Meetings of the Audit Committee are to be held not less than three times a year. Any of the Committee members, the finance director, head of internal audit or the Company's external auditors may request a meeting of the Audit Committee if he or she considers it necessary, to be arranged by the secretary.
9. The Audit Committee is authorised by the Board:
 - 9.1 to investigate any activity within its terms of reference;

- 9.2 to seek any information it requires from any employee of a Group Company (and all employees are directed to co-operate with any request made by the Audit Committee);
- 9.3 to obtain such legal or other independent professional advice as it deems necessary to fulfil its responsibilities; and
- 9.4 to secure the attendance of other persons at its meetings if it considers this necessary.
10. The duties of the Audit Committee are:
- 10.1 to consider and make recommendations to the Board in relation to the appointment and reappointment of the external auditors and any question of resignation or dismissal of the external auditors and to approve the external auditors' remuneration and terms of engagement;
- 10.2 to discuss with the external auditors before the audit starts the nature and scope of the audit and ensure co-ordination where more than one firm of external auditors is involved;
- 10.3 to agree with the Board a policy on the employment of former employees of the Company's external auditor, then to monitor the implementation of this policy;
- 10.4 to keep under review the scope and results of the audit, the audit fee and its cost effectiveness, taking into consideration relevant professional and regulatory requirements;
- 10.5 to assess annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- 10.6 to keep under review the independence and objectivity of the auditors;
- 10.7 to develop and implement policy on the engagement of the external auditor to supply non-audit services and to keep under review and report to the Board on the nature and extent of non-audit services supplied by the external auditors, identifying any matters in respect of which action or improvement is needed and making recommendations as to the steps to be taken;
- 10.8 to discuss problems and reservations arising from audits and any matters the auditors may wish to discuss (in the absence of executive directors, where necessary);
- 10.9 to review the external auditors' management letter and response;
- 10.10 to review and monitor the integrity of the half-year financial statements and annual accounts and reports to shareholders and any other public announcement concerning the Company's financial position or performance which has not previously been reviewed by the Board or a committee of the Board before submission to the Board, focusing particularly on:
- (a) any changes in accounting policies and practices;
 - (b) any important areas where judgment must be exercised;

- (c) any significant adjustments arising from the audit;
 - (d) the going concern assumption;
 - (e) compliance with accounting and other financial reporting standards; and
 - (f) other legal, UK Listing Authority or recognised investment exchange requirements;
- 10.11 to submit the documents referred to in paragraph 10.10 to the Board for its approval and to determine what information should be brought to the Board's attention in connection with that submission;
- 10.12 to review the effectiveness of the Company's financial reporting and internal control policies and procedures and to review any statement on internal control and/or risk management to be included in the directors' report before submission to the Board for its approval;
- 10.13 to review any representation letter(s) requested by the external auditor before they are signed by management;
- 10.14 to agree the policy for authorising claims for expenses from the chief executive and chairman of the Board;
- 10.15 to monitor and review the effectiveness of the internal audit programme, ensure co-ordination between the internal and external auditors, approve the appointment and removal of the head of the internal audit function, review and monitor management's responsiveness to the findings and recommendations of the internal auditor, meet the head of internal audit at least once a year (without management being present) and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- 10.16 to review the Company's procedures by which employees may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
- 10.17 to consider the major findings of internal investigations and management's response;
- 10.18 to compile a report to shareholders on its activities to be included in the Company's annual report;
- 10.19 to keep under review its own performance, constitution and terms of reference; and
- 10.20 to consider other matters as referred to the Audit Committee by the Board.
11. The Audit Committee's chairman should attend the Company's annual general meeting to be available to answer shareholders' questions.
12. The secretary must send the minutes of meetings of the Audit Committee to all Audit Committee members and, once agreed, to all members of the Board.