

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Main Principle

The Board has established formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company’s auditors.

The terms of reference of the Audit Committee, including its role and the authority delegated to it by the Board, is required. A separate section of the annual report describes the work of the Committee in discharging those responsibilities.

2. Membership

- 2.1 the Board shall establish an Audit Committee of at least two Directors, all independent non-executive, with written terms of reference which deal clearly with its authority and duties. The Managing Director, Finance Director and shareholder representatives will attend by invitation;
- 2.2 the Board shall appoint the Committee Chairman who will be a non-executive Director (the Chairman of the Board should not be the Chairman of the Committee);
- 2.3 only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend for all or part of any meeting, as and when appropriate;
- 2.4 Appointment to the Committee shall be for a period of up to three years, which may be extended for further three-year periods, provided the directors remain independent
- 2.5 the Company Secretary, or their nominee, shall be the Secretary of the Committee;
- 2.6 at least one member of the Audit Committee shall have recent and relevant financial experience;
- 2.7 the members of the Committee shall be named in the report and accounts.

3. Meetings

- 3.1 the Committee shall meet formally at least twice a year;
- 3.2 notice of each meeting together with an agenda of items to be discussed shall be forwarded to each member of the Committee one week prior to the meeting;
- 3.3 the quorum for the Committee meetings shall be two of who at least one must be independent of the management of the Company;
- 3.4 in the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting;
- 3.5 the Committee should meet with the internal and external auditors, either together or with each separately, as deemed appropriate, at least once a year;
- 3.6 the Committee or its Chairman shall meet with the Board of Directors at least once a year to discuss such matters as the annual report, the relationship with external auditors etc.
- 3.7 the Secretary shall keep appropriate records of all meetings;
- 3.8 the Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly;
- 3.9 copies of the minutes of the meeting shall be circulated to all members of The Committee and to the Chairman of the Board; any director may upon request to the Secretary, as long as there is no conflict of interest, obtain copies of the Committee’s agenda and minutes.

Annual General Meeting

- 4.1 The Chairman of the Committee shall attend the Annual General Meeting being prepared to respond to any shareholder questions on the Committees’ activities if necessary

4. Duties

The Committee shall:

4.1 Financial Reporting

- 4.1.1 monitor the integrity of the financial statements of the Company, including its annual and interim reports and any other formal announcement relating to its financial performance and review significant financial reporting judgements;
- 4.1.2 review and challenge if necessary the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
- 4.1.3 review whether the Company has followed appropriate accounting standards and made appropriate estimates or judgements, taking into account the views of the external auditor.

4.2 Internal Controls and Risk Management Systems

- 4.2.1 keep under review the effectiveness of the Company’s internal controls and risk management;
- 4.2.2 review and approve the statements to be included in the annual report concerning internal controls and risk management

4.3 Whistleblowing

- 5.3.1 review the Company’s arrangements for its employees to raise concerns, in confidence about possible wrongdoing in financial reporting and other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

4.4 Internal Audit

- 4.4.1 monitor and review the effectiveness of the Company’s internal audit function in the context of the Company’s overall risk management system;
- 4.4.2 approve the appointment and removal of the head of the internal audit function;
- 4.4.3 consider and approve the remit of the internal audit function and ensure it has adequate resources;
- 4.4.4 review and assess the annual internal audit plan;

4.5 Taxation

- 5.5.1 monitor and review the compliance with the tax regulations
- 5.5.2 review annual tax strategy of the Company

4.6 External Audit

- 5.6.1 make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- 5.6.2 include keeping under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the auditors;
- 5.6.3 the Board, through the Audit Committee, should maintain an appropriate relationship with the Company’s auditors;
- 5.6.4 monitor and review the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- 5.6.5 develop and implement policy on the engagement of the external auditor to supply 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;
- 5.6.6 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit
- 5.6.7 review any representation letters requested by the external auditor before they are signed by management

5. Authority

- 5.1 the Committee shall have the right to seek any necessary information to fulfil the above;
- 5.2 have the right to obtain outside legal help and any professional advice, at the Company’s expense, which might be necessary for the fulfilment of its duties;
- 5.3 have the power to call any member of staff to be questioned at a meeting of the Committee as and when required;
- 5.4 the Committee shall have the power to make a recommendation on the appointment, reappointment and removal of the external auditors. If the Board does not accept the Audit Committee’s recommendation, it should include in the Annual Report and in any papers recommending appointment of reappointment, a statement from the Audit Committee explaining the recommendation and should set out reasons why the Board has taken a different position.