

# **Terms of Reference - Audit Committee**

Reference to “The Committee” shall mean The Audit Committee.

Reference to “The Board” shall mean The Board of Directors.

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## **1. Membership, attendance and authority**

- 1.1. The Committee shall be appointed by The Board to assist the Board in fulfilling its financial management responsibilities and shall comprise of a Chairman and at least one other member.
- 1.2. All members of The Committee shall be independent non-executive directors. At least one member of The Committee should have recent relevant financial knowledge.
- 1.3. Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.
- 1.4. The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of The Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- 1.5. The Committee may ask the Chief Executive, Finance Director and any relevant senior management to attend meetings either regularly or by invitation, but the invitees have no right of attendance.
- 1.6. The Committee shall ask a representative of the external auditors and the head of internal audit to attend all meetings. The Committee should have at least one meeting, or part thereof, with the external auditor without management being present.
- 1.7. The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information that it requires from any employee of the Company. The Committee is authorised to obtain outside legal or independent professional advice, at the Company's expense, if it considers this necessary.
- 1.8. Membership of the Committee is for an initial term of no longer than three years. The initial term may be extended by no more than two additional three year periods.
- 1.9. Relevant training in financial reporting and related company law is available to members of the Committee if requested or required.

## **2. Secretary**

- 2.1. The Company Secretary or their nominee shall act as the Secretary of The Committee.

## **3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be two. 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.

#### **4. Frequency of Meetings**

- 4.1. The Committee shall meet half yearly and at such other times as the Chairman of The Committee shall require.
- 4.2. Meetings will be arranged to tie in with the publication of the company's financial statements.
- 4.3. Meetings can be requested by the external or internal auditors if they consider one is necessary.

#### **5. Notice of Meetings**

- 5.1. Meetings of The Committee shall be summoned by the Secretary of The Committee at the request of any member thereof.
- 5.2. 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, any other person required to attend and all other non-executive directors, no fewer than 5 working days prior to the date of the meeting.

#### **6. Minutes of Meetings**

- 6.1. The Secretary shall minute the proceedings and resolutions of all meetings of The Committee, including recording the names of those present and in attendance.
- 6.2. The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3. Minutes of Committee meetings shall be circulated promptly to all members of The Committee and to the Chairman and all members of The Board.

#### **7. Annual General Meeting**

- 7.1. The Chairman of The Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on The Committee's activities.

#### **8. Duties**

##### **8.1. Internal Control and Risk Assessment**

- 8.1.1. The Committee shall review the internal controls and risk management systems and shall assist the Board to keep under review the effectiveness of the company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks.

##### **8.2. Internal Audit**

- 8.2.1. The Committee shall consider the need for internal audit at least once every year.
- 8.2.2. The Committee shall consider applications for the post of and approve the appointment of the head of the internal audit function; any dismissal of the post holder should be considered by The Committee.
- 8.2.3. The Committee shall consider and approve the terms of reference of the internal audit function, and shall be advised of the planned programme of audits and the reason for any change or delay in the programme.

- 8.2.4. The Committee shall review the management of financial matters and focus upon the freedom allowed to the internal auditors.
- 8.2.5. The Committee shall regularly review all reports on the company from the internal auditors.
- 8.2.6. The Head of Internal Audit shall be given the right of direct access to the Chairman of The Committee.

### **8.3. External Audit**

- 8.3.1. The Committee shall consider and make recommendations to The Board as regards the appointment, re-appointment and removal of the company's external auditors, and shall ensure that key partners within the appointed firm are rotated from time to time.
- 8.3.2. The Committee shall approve the terms of engagement with the External Auditors.
- 8.3.3. The Committee shall meet with the external auditors at least twice each year, once at the planning stage, where the scope of the annual audit will be considered, and once post the annual audit at the reporting stage, and shall ensure that any auditor's management letters and management's responses are reviewed. These meetings may be more frequent to coincide with the Company's reporting cycle.
- 8.3.4. The Committee shall keep under review the relationship with external auditors including (but not limited to):
  - 8.3.4.1. the independence, effectiveness and objectivity of the external auditors;
  - 8.3.4.2. the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities; and
  - 8.3.4.3. discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made vis-à-vis the company's internal auditing standards.
- 8.3.5. The Committee shall develop and implement a policy on the engagement of the external auditor to supply non audit services.

### **8.4. Financial Statements**

- 8.4.1. The Committee shall keep under review the appropriateness and consistency of accounting policies both on a year to year basis and across the group.
- 8.4.2. The Committee shall review and challenge where it deems necessary the company's financial statements, annual and interim reports, preliminary announcement and any other formal announcement relating to financial performance taking into account:
  - 8.4.2.1. decisions requiring a major element of judgement;
  - 8.4.2.2. the extent to which the financial statements are affected by any unusual transactions;
  - 8.4.2.3. the clarity of disclosures;

- 8.4.2.4. significant adjustments resulting from the audit;
- 8.4.2.5. the going concern assumption;
- 8.4.2.6. compliance with accounting standards;
- 8.4.2.7. compliance with stock exchange and other legal requirements; and
- 8.4.2.8. reviewing the company's statement on internal control systems prior to endorsement by The Board and to assist the Board in determining its review of the policies and process for identifying and assessing business risks and the management of those risks by the company.

## **8.5. Reporting Responsibilities**

- 8.5.1. The Committee or its Chairman shall meet formally with the Board of Directors at least once a year to discuss such matters as the Annual Report and the relationship with the external auditors.
- 8.5.2. In the light of its other duties, the Committee shall make whatever recommendations to The Board it deems appropriate and shall compile a report to shareholders to be included in the company's Annual Report and Accounts.

## **8.6. Other Matters**

- 8.6.1. The Committee shall give due consideration to the requirements of the UK Listing Authority's Listing Rules.
- 8.6.2. The Committee shall be responsible for co-ordination of the internal and external auditors.
- 8.6.3. The Committee will review the company's procedures for handling allegations from whistleblowers.
- 8.6.4. The Committee shall oversee any investigation of activities, which are within its terms of reference and act as a court of the last resort.
- 8.6.5. The Committee should, on a regular basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.