

**TERMS OF REFERENCE  
OF THE AUDIT COMMITTEE  
(‘THE COMMITTEE’)**

**1. MEMBERSHIP AND ATTENDANCE**

- 1.1 The Committee and the Chairman of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee, in consultation with the Chairman of the Audit Committee. Until otherwise decided by the Board the members of the Committee shall comprise the Chairman of the Board (provided he was considered independent on appointment) and at least 2 (two) other members who shall be independent Non-Executive Directors. The Chairman of the Board shall not act as Chairman of the Committee.
- 1.2 At least one member of the Committee should have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 1.3 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.
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Chief Financial Officer and other members of senior management may be invited to attend all or part of any meeting as and when appropriate.
- 1.5 The Committee shall ask a representative of the external auditor to attend at least the April and November Committee meetings within the annual cycle (see 4.2 below). The Committee may request the attendance of any personnel carrying out part or all of the internal audit at such meetings as the Committee shall decide. The Committee should hold private discussions with the external auditor without management being present during at least one of the Committee meetings during the year.
- 1.6 The Company Secretary or any other person nominated by the Committee shall act as the Secretary of the Committee.

**2. QUORUM**

Two (2) members of the Committee shall constitute a quorum. 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.

**3. DUTIES**

The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

**3.1 Internal control and risk management systems**

The Committee shall:

- 3.1.1 keep under review the adequacy and effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment, mitigation and reporting of risks, including the risk of fraud; and
- 3.1.2 review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement.

### **3.2 Internal audit**

The Committee shall:

- 3.2.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system. Where the function is not performed through a dedicated, appointed individual the Committee shall consider annually whether there is a need for a dedicated internal auditor and, if there is, make a recommendation to the Board.
- 3.2.2 approve the appointment and termination of appointment of those persons carrying out the internal audit function.
- 3.2.3 consider and approve the structure, methodology and terms of reference for the internal audit process, shall review the internal audit plan and shall be advised of any change or delay in the implementation of the audit plan.
- 3.2.4 review the management of financial matters and ensure that adequate resources are available to enable the internal audit to be effective and to gain appropriate access to information to enable it to perform its function. The Committee shall also ensure that the process is given adequate priority and is free from management or other restrictions.
- 3.2.5 review reports from the internal audit team and review and monitor management's responsiveness to the findings and recommendations resulting from the internal audit. The Committee shall meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee.
- 3.2.6 ensure that all personnel associated with the internal audit process are be given the right of direct access to the Chairman of the Committee.

### **3.3 External audit**

The Committee shall:

- 3.3.1 consider and make recommendations to the Board to be put to shareholders for approval at the AGM as regards the appointment, re-appointment and removal of the company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 3.3.2 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 each year without management present, to discuss the auditor's remit and any issues arising from the audit.

- 3.3.3 approve the auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit. The Committee shall review and approve the annual audit plan and ensure it is consistent with the scope of the audit engagement. The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
  - 3.3.3.1 a discussion of any major issues which arose during the audit;
  - 3.3.3.2 any accounting and audit judgements;
  - 3.3.3.3 levels of errors identified during the audit; and
  - 3.3.3.4 the effectiveness of the audit.
- 3.3.4 oversee the relationship with the external auditor including (but not limited to):
  - 3.3.4.1 an annual assessment of the independence and objectivity of the external auditor taking into account professional and regulatory requirements and the policy upon engagement of external auditors to supply non-audit services;
  - 3.3.4.2 the consideration of audit fees which should be paid to enable an adequate audit to be conducted as well as any other fees which are payable to auditors in respect of non-audit activities;
  - 3.3.4.3 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
  - 3.3.4.4 agreeing with the Board a policy on the employment of former employees of the external auditor, then monitoring the implementation of this policy;
  - 3.3.4.5 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - 3.3.4.6 assessing annually the auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on its own quality procedures
  - 3.3.4.7 seeking to ensure coordination with the activities of the internal audit function;
- 3.3.5 review the effectiveness of the external audit and shall:
  - 3.3.5.1 review any representation letters requested by the external auditor before they are signed by management;
  - 3.3.5.2 review the management letter and management's response to the auditor's findings and recommendations; and
  - 3.3.5.3 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

### 3.4 Financial Statements

- 3.4.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half yearly reports, interim management statements, preliminary results announcements and any other formal announcement relating to its financial performance, including reviewing significant financial reporting issues and the accounting judgements which they contain.
- 3.4.2 In particular, the Committee shall review and challenge where necessary the company's financial statements taking into account:
- 3.4.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
  - 3.4.2.2 decisions requiring a major element of judgement;
  - 3.4.2.3 the extent to which the financial statements are affected by any significant or unusual transactions and the methods used to account for such transactions where different approaches are possible;
  - 3.4.2.4 the clarity of disclosure in the financial reports and the context in which statements are made;
  - 3.4.2.5 significant adjustments resulting from the audit;
  - 3.4.2.6 the going concern assumption and viability statement;
  - 3.4.2.7 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 3.4.2.8 compliance with stock exchange and other legal requirements;
  - 3.4.2.9 all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management); and
  - 3.4.2.10 compliance with the Company's statement on internal control systems and the policies and process for identifying and assessing business risks and the management of those risks by the Company.

### 3.5 Reporting responsibilities

- 3.5.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and how it has discharged its responsibilities.
- 3.5.2 The Committee shall make whatever recommendations to the Board it deems appropriate upon any matter within its remit where action or improvement is needed.
- 3.5.3 The Committee shall produce a report to shareholders on its activities to be included in the Company's annual report. The report should include:

- 3.5.3.1 the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed;
  - 3.5.3.2 an explanation of how the Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and
  - 3.5.3.3 if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.
- 3.5.4 Where requested by the Board, the Committee shall provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- 3.5.5 The Committee shall ensure that appropriate statements on the going concern basis of accounting and longer term viability are included in the annual report.

### 3.6 **Compliance, whistleblowing and fraud**

The Committee shall:

- 3.6.1 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 3.6.2 review the Company's procedures for detecting fraud; and
- 3.6.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

### 3.7 **Other matters**

The Committee shall:

- 3.7.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary as required.
- 3.7.2 The Committee shall give due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules, Prospectus Rules, Disclosure and Transparency Rules and any other applicable rules as appropriate.
- 3.7.3 The Committee shall, on a regular basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 3.7.4 The Committee shall make available these Terms of Reference to shareholders through the Company website.

## 4. **FREQUENCY OF MEETINGS**

- 4.1 The Committee shall meet not less than 3 (three) times a year, in April, September and November/December. The Committee may meet at such other times as the Chairman of the Committee shall require.
- 4.2 Meetings will be arranged to coincide with the publication of the Company's financial statements, allowing, whenever practicable, at least 3 (three) working days prior to a Board Meeting where accounts or financial statements are to be approved. The schedule of matters to be reviewed by the Committee during its annual cycle of meetings is set out in Appendix 1. This schedule will be regularly reviewed by the Committee.

## 5. NOTICE OF MEETINGS

- 5.1 Meetings of the Committee shall be held at the request of any Committee member or upon the request of the external auditor or any member of the internal audit team.
- 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 Committee member, any other person required to attend and all other Non-Executive Directors, no less than 5 (five) working days prior to the date of the meeting.
- 5.3 Meetings of the Committee may be held by telephone or video conference facility.

## 6. MINUTES OF MEETINGS

- 6.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance and the existence of any conflicts of interest.
- 6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and all members of the Board.

## 7. ANNUAL GENERAL MEETING

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

## 8. AUTHORITY

The Committee is authorised:

- 8.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 8.2 to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference;
- 8.3 to call any employee to attend at a meeting of the Committee as and when required; and
- 8.4 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

9. **DEFINITIONS**

- 9.1 “Code” means the UK Corporate Governance Code as amended from time to time.
- 9.2 “Listing Rules” means the rules published by the Financial Conduct Authority and contained in the Listing Rules sourcebook which is part of the FCA handbook.

**Originally approved September 2004**  
**Last reviewed September 2018**

## Appendix 1

### Matters for review by the Audit Committee

	<b>Meetings</b>	<b>Frequency</b>
1	Meet the internal and external auditors, without management, to review matters relating to the Committee's remit and any issues arising from the audit.	At least annually The Committee normally meets x3 each year in September (year end audit plan), November (year end report) and April (interim report)
	<b>Skills, experience and training</b>	
2.	Review the need for training for members of the Committee on principles of and developments in financial reporting and related company law.	Ongoing External auditors update the Committee on developments at each meeting as required
	<b>Relationship with the board</b>	
3.1	Review the Committee's terms of reference and its effectiveness, recommending any changes to the terms of reference to the board.	Annually Review Terms of Ref in September. Effectiveness part of annual Board and Committee evaluation
3.2	Prompt the board to review the Committee's effectiveness	Annually <b>Within annual evaluation</b>
	<b>Role and responsibilities</b>	
	<b>Financial reporting</b>	
4.1	Review significant financial reporting issues and judgments made in the preparation of the company's financial statements, interim reports, preliminary announcements and related formal statements.	Ongoing as documents fall to be issued <b>Each meeting</b>
4.2	Consider whether the company has adopted appropriate accounting policies. Review the clarity and completeness of the disclosures in the financial statements.	Ongoing as documents fall to be issued First sentence – Each meeting Second sentence - April/November
4.3	Review information presented with the financial statements, including the operational and financial review, and corporate governance statements relating to the audit and to risk management.	Ongoing as documents fall to be issued <b>Mainly November</b>
4.4	Where requested by the Board, the Committee shall provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee shall review the appropriateness of the Company's statements on the going concern basis of accounting and longer term viability to be included in the annual report.	Mainly November
	<b>Internal controls and risk management systems</b>	
5.1	Review systems established to identify,	Board reviews risk in September/October.

	assess, manage and monitor financial risks.	Internal audit report in April/November External auditors review control systems in November
5.2	Review reports received from management on the effectiveness of risk management systems.	<b>As above</b>
5.3	Review and approve the statements included in the annual report in relation to internal control and the management of risk.	Annually - November
	<b><i>Compliance, whistleblowing and fraud</i></b>	
6.1	Review whistleblowing arrangements to ensure they provide for a proportionate and independent investigation and follow up action.	<b>Code of Conduct reviewed in September</b>
6.2	Review procedures for detecting fraud	<b>Ongoing- each meeting</b>
6.3	Review the systems and controls for the prevention of bribery and receive reports on non-compliance	<b>Code of Conduct reviewed in September</b> Ongoing- each meeting
	<b><i>Internal audit process</i></b>	
7.1	Monitor and review the effectiveness of the internal audit function. Where there is no such function, consider whether there is a need for one.	Annual review of internal audit process - November Internal audit reports to the Committee in April and November
7.2	Review and approve the internal auditor's remit	Annually –would normally arise when considering reports in April and November.
7.3	Review reports from the internal audit team and monitor management's responsiveness to the findings and recommendations. Meet the head of internal audit once a year.	Annually- September Ongoing- each meeting
	<b><i>Appointment</i></b>	
8.1	Provide recommendation for appointment, reappointment and removal of auditors.	Annually – September
8.2	In connection with 4.14, assess the qualification, expertise, resources and independence of external auditors and the effectiveness of the audit process.	Annually - September
	<b><i>Terms and remuneration</i></b>	
9.0	Approve terms of engagement and remuneration to be paid to the external auditor.	Annually - September
	<b><i>Independence, including provision of non-audit services</i></b>	
10.1	Review the relationships between the company and the external audit firm and form a view as to whether the auditor's judgement or independence is impaired.	Annually - November
10.2	In connection with 4.21, require audit firm confirmation that the auditors and their staff have no family, financial, employment, investment or business relationship with the company (other than in the normal course of business). Seek information about policies and processes for maintaining independence and monitoring compliance with relevant	Annually The November external auditors' report attaches their independence letter and quality procedures report

	requirements, including rotation of audit partners and staff.	
10.3	In connection with 4.21 monitor application of the company's policy for the employment of former employees of the external auditor, particularly those who have been part of the audit team.	Ongoing
10.4	Monitor the level of fees that the company pays for the external audit in proportion to the overall fee income of the audit firm.	<b>September and November</b>
10.5	In connection with 4.21 monitor application of the company's policy in relation to provision of non-audit services by the auditor.	<b>November</b>
	<b><i>Annual audit cycle</i></b>	
11.1	Review the auditor's overall work plan including planned levels of materiality and proposed resources to execute the plan.	At the start of each annual audit cycle in September
11.2	Review with the external auditors the findings of their work. Discuss major issues, key accounting and audit judgements and review levels of errors identified during the audit.	<b>November/April</b>
11.3	Review the audit representation letters before signature by management.	<b>November/April</b>
11.4	Review the management letter (or equivalent) as part of the ongoing monitoring process.	<b>November/April</b>
11.5	Assess the effectiveness of the audit process including the robustness and perceptiveness of the auditors in handling key accounting and audit judgements and their commentary on systems of internal control. Obtain feedback on the conduct of the audit from the Finance Director.	At the end of each annual audit cycle <b>November</b>
	<b>Communication with shareholders</b>	
12	Chairman of the Committee to be present at the AGM to answer questions through the Chairman, on the report of the Committee's activities.	<b>January/February</b>