

## Audit Committee

### 1. Membership

1.1. The committee shall comprise at least three members. Members of the committee shall be appointed by the board, on the recommendation of the nomination committee and in consultation with the chairman of the audit committee.

1.2. All members of the committee shall be independent Non-Executive Directors at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. The Chairman of the board can be member of the committee if considered independent on appointment as Chairman but may not chair the audit committee.

1.3. Only members of the committee have the right to attend committee meetings. However, the external auditor and CFO will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting, as and when appropriate and necessary.

1.4. Appointments to the committee shall be for a period of up to three years, extendable for no more than two additional three year periods, so long as members continue to be independent.

1.6. The board shall appoint the committee chairman who shall be an independent Non-Executive Director. In the absence of the committee chairman, the remaining members present shall elect one of themselves to chair the meeting.

### 2. Secretary

The Company Secretary, or his or her nominee, shall act as the Secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### 3. Quorum

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

### 4. Frequency of meetings

4.1 The committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

4.2 Outside of the formal meeting programme, the committee chairman will maintain a dialogue with key individuals involved in the company's governance, including the board chairman, the chief executive, the CFO and the external audit lead partner.

### 5. Notice of meetings

5.1. Meetings of the committee shall be called by the secretary of the committee at the request of any of its members or at the request of the external auditor if they consider it necessary.

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 later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

### 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.

6.2. Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless it would be inappropriate to do so.

## 7. Annual general meeting

The committee chairman should attend the annual general meeting to answer any shareholder questions on the committee's activities.

## 8. Duties

The committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### 8.1. Financial reporting

8.1.1. The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

8.1.2. In particular, the committee shall review and challenge where necessary –

- 8.1.2.1. the consistency of, and any changes to, accounting policies both on a year on year basis and across the company / group
- 8.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible
- 8.1.2.3. whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
- 8.1.2.4. the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made; and
- 8.1.2.5. all material information presented with the financial statements, such as the business review and the corporate governance statement relating to the audit and risk management.

8.1.3 Where the committee is not satisfied with any aspect of the proposed financial reporting by the company, it should report its views to the board.

### 8.2 Narrative reporting

Where requested by the board, the committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance business model and strategy.

### 8.3. Internal controls and risk management systems

The committee shall

8.3.1. Keep under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems, and

8.3.2. Review and approve the statements to be included in the annual report concerning internal controls and risk management.

### 8.4. Compliance, whistleblowing and fraud.

The committee shall

8.4.1. Review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrong doing 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.

8.4.2. Review the company's procedures for detecting fraud.

8.4.3. Review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

### 8.5. Internal audit

8.5.1. The committee will consider annually whether there should be an internal audit function and will make a recommendation to the board accordingly.

## 8.6. External audit

The committee shall

8.6.1. Consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for a new auditor and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required

8.6.2. Oversee the relationship with the external auditor including (but not limited to)

8.6.2.1. Recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted

8.6.2.2. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.

8.6.2.3. Assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services

8.6.2.4. 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) which would adversely affect the auditor's independence and objectivity.

8.6.2.5. Agreeing with the board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy

8.6.2.6. Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements

8.6.2.7. Assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures.

8.6.3. 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 the auditor's remit and any issues arising from the audit

8.6.4. Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement

8.6.5. Review the findings of the audit with the external auditor. This shall include but not be limited to the following

8.6.5.1. A discussion of any major issues which arose during the audit

8.6.5.2. Key accounting and audit judgements

8.6.5.3. Levels of errors identified during the audit

8.6.5.4. The effectiveness of the audit

The committee shall also

8.6.6. Review any representation letter(s) requested by the external auditor before they are signed by management

8.6.7. Review the management letter and management's response to the auditor's findings and recommendations

8.6.8. 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.

## 9. Reporting responsibilities

- 9.1. The committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The committee shall produce a report on its activities to be included in the company's annual report.

## 10. Other matters

The committee shall

- 10.1. Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 10.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.3. Give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate.
- 10.4. Be responsible for co-ordination of the external auditors.
- 10.5. Oversee any investigation of activities which are within its terms of reference.
- 10.6. Arrange for periodic reviews of its own performance and, at least annually, review its 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.

## 11. Authority

The committee is authorised

- 11.1. To seek any information it requires from any employee of the company in order to perform its duties.
- 11.2. To obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference.
- 11.3. To call any employee to be questioned at a meeting of the committee as and when required.
- 11.4. 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.