



**Terms of Reference for the Audit Committee**  
(Reviewed June 2018)

**1. Membership**

- 1.1 The Committee shall be appointed by the Board from amongst the independent Non-Executive Directors of the Company and shall consist of not less than two members, at least one of whom shall have relevant and recent financial experience (accounting and/or auditing). A quorum shall be two members.
- 1.2 The Chairman of the Committee shall be appointed by the Board from the independent Non-Executive Directors comprising the Committee.
- 1.3 Membership of the Committee will be reviewed annually or at such other time the Board deems appropriate.

**2. Attendance at Meetings**

- 2.1 The Finance Director and a representative of the external auditors shall attend meetings at the invitation of the Committee.
- 2.2 The Chairman of the Board, the CEO and other Board members shall attend if invited by the Committee.
- 2.3 There should be at least one meeting a year, or part thereof, where the external auditors attend without management present.
- 2.4 The Company Secretary shall be Secretary of the Committee, provided that, where the Finance Director is fulfilling that role, he withdraws from the discussion when the external auditors meet with the Committee without management present.

**3. Frequency of Meetings**

- 3.1 Meetings shall be held not less than three times a year and where appropriate should coincide with key dates in the Company's financial reporting cycle.
- 3.2 External auditors may request a meeting if they consider that one is necessary.
- 3.3 Internal auditors, in performing their assignments, may request a meeting if they consider that one is necessary.

#### 4. **Minutes of Meetings**

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

#### 5. **Authority**

The Committee is authorised by the Board to:-

- 5.1 investigate any activity within its terms of reference;
- 5.2 seek any information it requires from any employee of the Company in order to perform its duties; and
- 5.3 obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

#### 6. **Responsibilities**

The responsibilities of the Committee shall be to:-

- 6.1 consider the appointment of the external auditor and review and monitor the independence and objectivity of the external auditor, ensuring that key partners are rotated at appropriate intervals and/or that the audit is tendered at appropriate intervals;
- 6.2 oversee the process for selecting the external auditor and make recommendations through the Board to the shareholders to consider at the Company's AGM;
- 6.3 recommend the audit fee to the Board and pre-approve any fees in respect of non audit services provided by the external auditor; in particular the Committee shall review and monitor the provision of such additional services by the auditor and seek to ensure that the provision of non audit services does not impair the external auditor's independence or objectivity;
- 6.4 discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;

- 6.5 monitor the financial reporting process and review with the external auditors the findings of their work, including any major issues that arose during the course of the audit and that have subsequently been resolved and those that have been left unresolved; key accounting and audit judgements; levels of errors identified during the audit; obtaining explanations from management and, where necessary, the external auditors, as to why certain errors might remain unadjusted;
- 6.6 review the external auditor's management letter and management's response;
- 6.7 assess, at the end of the audit cycle, the effectiveness of the audit process by:
  - 6.7.1 reviewing whether the external auditor has met the agreed audit plan;
  - 6.7.2 considering the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
  - 6.7.3 obtaining feedback about the conduct of the audit from key people involved.
- 6.8 monitor and review the effectiveness of the internal audit function and internal audit programme;
- 6.9 consider management's response to any major external or internal audit recommendations;
- 6.10 monitor the effectiveness of the Company's internal controls and risk management systems generally, and commission and review management, internal audit and external audit reports on the effectiveness of systems for internal financial control, financial reporting and risk management;
- 6.11 monitor the effectiveness of the Company's cyber security policy and the management of risk associated with the Group's IT systems and use of technology;
- 6.12 oversee and review the effectiveness of the Company's Anti-Bribery Code and procedures regarding compliance with anti-corruption and bribery laws and regulations;
- 6.13 review, monitor the integrity of, and challenge where necessary, the Company's financial statements taking into account:-
  - 6.13.1 critical accounting policies and practices and any changes in them;
  - 6.13.2 decisions requiring a major element of judgement;

- 6.13.3 the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- 6.13.4 the clarity of disclosures;
- 6.13.5 significant adjustments resulting from the audit;
- 6.13.6 the going concern assumption;
- 6.13.7 compliance with accounting standards;
- 6.13.8 compliance with stock exchange and other legal requirements; and
- 6.13.9 the quality of the review of the Company's statement on internal control systems prior to endorsement by the Board and the policies and process for identifying and assessing business risks and the management of those risks by the Company;
- 6.14 monitor the integrity of any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them.
- 6.15 give due consideration to the requirements of the relevant UK professional and regulatory requirements, including the UK Listing Authority's Listing Rules and the UK Corporate Governance Code and applicable guidance issued by the Financial Reporting Council;
- 6.16 be responsible for the co-ordination between the external auditors and the internal audit programme;
- 6.17 oversee and review the Company's procedures for handling allegations from whistleblowers under the Serious Concerns Policy, and satisfy itself that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- 6.18 oversee any investigation of activities which are within its terms of reference;
- 6.19 review, on a regular basis, its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness;
- 6.20 consider other topics as defined, and referred to the Committee, by the Board; and
- 6.21 in carrying out the above each member of the Committee shall act in a way which it considers, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole.

7. **Reporting procedures**

- 7.1 The Committee shall report to the Board of Directors after each Committee Meeting to discuss how it has discharged its responsibilities, and the Committee shall make whatever recommendations to the Board it deems appropriate.
- 7.2 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 performance, business model and strategy.
- 7.3 The Committee shall compile a report to shareholders to be included in the Company's Annual Report bearing in mind the principles of 6.14 above.
- 7.4 The Chairman of the Committee shall attend the AGM and shall answer questions through the Chair of the Board on the Audit Committee's activities and their responsibilities.