

## **TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

### **Membership and attendance**

The Audit Committee is appointed by the Board from amongst the Non-Executive Directors.

Where possible, the Audit Committee shall comprise at least three members, of whom at least two shall be independent non-executive directors. At least one member shall have recent and relevant financial experience and the committee as a whole shall have competence relevant to the sector in which the company operates.

Generally, only members of the Audit Committee have the right to attend Audit Committee meetings, however, the CEO and CFO will be invited to attend meetings as well as other directors or external advisers as required.

The Audit Committee will have unrestricted access to the Group's external auditors and may ask a representative of the external auditors to attend the meetings of the Audit Committee on a regular basis.

Members of the Audit Committee are named in the annual report and accounts of the Company.

### **Quorum**

The quorum necessary for the transaction of business is two members. A duly convened meeting of the Audit Committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

### **Frequency of meetings**

The Audit Committee will meet as and when necessary, but at least twice each year at appropriate times in the reporting and audit cycle and at such other times as the Audit Committee requires.

Meetings are arranged to tie in with the publication of the Group's financial statements, allowing at least three business days prior to a Board meeting where accounts of financial statements are to be approved.

### **Notice of meetings**

Meetings of the Audit Committee are summoned by the Company Secretary at the request of any member thereof, a member or at the request of external or internal auditors if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed are forwarded to each member of the Audit Committee, and any other person required to attend and all other Non-Executive Directors, no fewer than five working days prior to the date of the meeting. Supporting papers are sent to Audit Committee members and to other attendees, at the same time.

### **Minutes of meetings**

The Company Secretary minutes the proceedings and resolutions of all meetings of the Audit Committee, including recording the name of those present and in attendance.

The Company Secretary ascertains, at the beginning of each meeting, the existence of any conflicts of interest and minutes them accordingly.

Minutes of Audit Committee meetings shall be circulated promptly to:

- all members of the Audit Committee;
- all members of the Board; and

- the external auditors of the Company.

### **Annual General Meeting**

The Audit Committee Chairperson attends each Annual General Meeting of the Company and responds to any Shareholder questions on the Audit Committee's activities.

### **Duties**

#### *Internal control and risk assessment*

*The Audit Committee shall consider any matters relating to the financial affairs of the Company and its subsidiaries.*

To assist the Board in discharging its duty to ensure that the financial statements presented by the Company to its Shareholders, conform with all legal requirements and that the Company and its subsidiaries' financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks are adequate, the Audit Committee shall keep such matters under review and shall from time-to-time make appropriate recommendations to the Board. The Audit Committee also considers the major findings or internal investigations and response of service providers and the Administrator thereto.

#### *Risk identification and assessment*

The Audit Committee is also responsible for:

- advising the Board on the Group's risk strategy, risk policies and current risk exposures;
- overseeing the implementation and maintenance of the overall risk management framework and systems;
- reviewing the Group's risk assessment processes and capability to identify and manage new risks; and
- reviewing the effectiveness of the Company's IT systems and procedures.

#### *Internal audit and review of third-party service providers*

The Group does not currently have an internal audit function. The decision of whether or not to set up an internal audit function will be made by the Board, on the recommendation of the Audit Committee, based on the growth of the Group, the scale, diversity and complexity of the Group's activities and the number of employees, as well as cost/benefit considerations. If the Board recommends the appointment of an internal audit function:

- the Audit Committee shall monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system;
- the Audit Committee shall consider applications for the post and approve the appointment of the head of the internal audit function; any dismissal of the post holder should be considered by the Audit Committee;
- the Audit 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;
- the Audit Committee shall review the management of financial matters and focus upon the freedom allowed to the internal auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;

- the Audit Committee shall review promptly all reports on the Group from the internal auditors; and
- the Audit Committee shall also monitor and review the effectiveness of the Group's third-party service providers.

#### *External audit*

The Audit Committee considers and makes recommendations to the Board, to be put to Shareholders for approval at each annual general meeting of the Company, as regards the appointment and re-appointment of the Company's external Auditor, as well as any questions relating to their resignation or removal, and shall ensure that key partners within the appointed firm are rotated from time-to-time. The Audit Committee oversees the selection process for a new Auditor and if an Auditor resigns, the Audit Committee investigates the issues leading to this and decides whether any action is required.

The Audit Committee oversees the relationship with the external Auditor including (but not limited to):

- approval of remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
- approval of the terms of engagement, including any engagement letter issued at the start of each audit, the nature and scope of each audit, and, where more than one firm of auditor is used, ensuring co-ordination between them;
- assessing annually the Auditor's 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, taking into account relevant ethical guidance regarding the provision by the Auditor of the same;
- develop and implement policy on the engagement of the external auditor to supply non-audit services by the external auditor, taking into account relevant external guidance regarding the provision of non-audit services by the external audit firm; and
- 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 their own internal quality procedures.

The Audit Committee meets the external Auditor at least twice a year and reviews the findings of the audit and/or review with the external Auditor. This includes, but is not limited to, discussing any major issues resulting from the audit and/or review, accounting and audit judgement and levels of errors identified during the audit.

#### *Financial statements*

The Audit Committee monitors the integrity of the financial statements of the Group, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issue and judgements which they contain.

The Audit Committee keeps under review the consistency of accounting policies and practices both on a year-to-year basis and across the Group.

The Audit Committee reviews and challenges, where necessary, the Group's financial statements before submission to the Board considering:

- decisions requiring a major element of judgement;
- the extent to which the financial statements are affected by any unusual transaction;
- the clarity of disclosures;

- significant adjustments resulting from the audit;
- the going concern assumption;
- compliance with accounting standards;
- compliance with stock exchange and other legal requirements;
- reviewing the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Board;
- integrity of financial statements; and
- integrity, scope and effectiveness of internal financial controls.

### Whistleblowing

The Group operates a whistleblowing policy that encourage openness and support whistleblowers who raise genuine concerns, even if they turn out to be mistaken. Whistleblowers must not suffer any detrimental treatment as a result of raising a genuine concern. If they believe that they have suffered any such treatment, you should inform a member of the EMC, or if they wish the Chairperson or the Chair of the Audit companies. All employees and directors are prohibited from discouraging whistleblowers in any way.

### *Reporting responsibilities*

The Audit Committee, or the Audit Committee Chairperson, meets formally with the Board at least once a year to discuss such matters as the annual report and the relationship with the external Auditors.

In the light of its other duties, the Audit Committee makes whatever recommendations to the Board it deems appropriate and compiles a report to Shareholders for inclusion in the Group's annual report and accounts which, inter alia, covers compliance with the QCA Code on a 'Comply or Explain' basis as per its regulatory responsibilities.

### *Other matters*

The Audit Committee has access to sufficient resources to carry out its duties, including access to the Company Secretary, for assistance as required.

The Audit Committee is responsible for co-ordination of the internal and external Auditors.

The Audit Committee oversees any investigation of activities, which are within its terms of reference, and acts as a court of the last resort.

The Audit Committee should give due consideration to all relevant laws and regulations, in particular the Companies Act 2006, the provisions of the QCA Code and published guidance, the requirements of the AIM Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.

The Audit Committee makes a statement in the annual report about its composition and activities, including the number of meetings held, its members' attendance and the process used for the appointments (explaining if external advice or open advertising has not been used);

The Audit Committee should ensure that a periodic evaluation of the committee's performance is carried out.

The Audit Committee considers such other matters as the Board may from time-to-time refer to it.

### **Authority**

The Audit Committee is authorised to:

- seek any information it requires from any officer or employee of the Group to perform its duties;
- call any member of staff to be questioned at a meeting of the Audit Committee as and when required; and
- sanction the following, subject to prior Board approval, at the Company's expense:
  - the obtaining of outside legal or other professional advice on any matters within its terms of reference and, where necessary, the attendance at its meetings of outsiders with relevant experience and expertise; and
  - the obtaining of independent legal or other professional advice by any Director, or director of any of the Company's subsidiaries, who indicates to the Audit Committee that he/she requires, or has obtained, independent legal or other professional advice in relation to his duties.

In seeking the approval of the Board under the paragraph above, the Audit Committee shall provide to the Board full details of any expense which is to be incurred in the making of such appointments.

### **Procedure**

Subject to the articles of incorporation of the Company, the Audit Committee determines its own procedures.

### **Terms of reference**

The above Terms of Reference of the Audit Committee shall only be changed with the approval of the Board.

Revised October 22