

TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

1. Membership and attendance

1.1. The Audit Committee is appointed by the Board from amongst the Non-Executive Directors. The Audit and Risk 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. Only members of the Audit and Risk 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, employees or external advisers as required.

1.2. The Audit and Risk 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.

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

2. Quorum

2.1. The quorum necessary for the transaction of business is two members. A duly convened meeting of the Audit and Risk 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.

3. Frequency of meetings

3.1. The Audit and Risk 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 and Risk Committee requires.

3.2. 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.

4. Notice of meetings

4.1. Meetings of the Audit and Risk 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.

4.2. 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 and Risk Committee, and any other person required to attend and all other Non-Executive Directors, no fewer than five days prior to the date of the meeting. Supporting papers are sent to Audit Committee members and to other attendees, at the same time.

5. Minutes of meetings

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

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

5.3. Minutes of Audit and Risk Committee meetings shall be circulated promptly to:

5.4. all members of the Audit and Risk Committee;

6. Annual General Meeting

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

7. Duties

7.1. Internal control and risk assessment

- 7.1.1. The Audit and Risk Committee shall consider any matters relating to the financial affairs of the Company and its subsidiaries.
- 7.1.2. 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 and Risk 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.

7.2. Risk identification and assessment

- 7.2.1. The Audit and Risk 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.

7.3. Internal audit

- 7.3.1. 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 and Risk 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:
- 7.3.2. the Audit and Risk 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;
- 7.3.3. the Audit and Risk 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;
- 7.3.4. the Audit and Risk 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;
- 7.3.5. the Audit and Risk 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;
- 7.3.6. the Audit and Risk Committee shall review promptly all reports on the Group from the internal auditors; and

7.4. External audit

- 7.4.1. The Audit and Risk 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 and Risk Committee oversees the selection process for a new Auditor and if an Auditor resigns, the Audit and Risk Committee investigates the issues leading to this and decides whether any action is required.

7.4.2. The Audit and Risk 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.

7.4.3. The Audit and Risk 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.

7.5. Financial statements

7.5.1. The Audit and Risk 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.

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

7.5.3. The Audit and Risk 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.

8. Whistleblowing

8.1. The Group operates a whistleblowing policy that encourage openness and support whistleblowers who raise genuine concerns, even if they turn out to be mistaken. The Audit and Risk Committee reviews and monitors the effectiveness and compliance of the policy which is reviewed by the Board of Directors every two 2 years. As part of the process the Audit and Risk Committee will actively protect any whistleblowers.

9. Reporting responsibilities

9.1. The Audit Committee, or the Audit and Risk 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.

9.2. In the light of its other duties, the Audit and Risk 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.

10. Other matters

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

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

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

10.4. The Audit and Risk 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.

10.5. The Audit and Risk 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);

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

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

11. Authority

11.1. The Audit and Risk Committee is authorised to:

11.1.1. seek any information it requires from any officer or employee of the Group to perform its duties;

11.1.2. call any member of staff to be questioned at a meeting of the Audit and Risk 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

11.1.3. 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.

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

12. Procedure

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

13. Terms of reference

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

13.2. Revised 24 April 24