

Anpario plc

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1 MEMBERSHIP

Members and the Chairman of the Committee shall be appointed by the Board. All members of the Committee shall be independent non-executive directors and the Committee shall consist of not less than two members. A quorum shall be two members. 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.

2 ATTENDANCE

The Chairman of the Board, the Chief Executive, the Group Finance Director, other Executive Directors and a representative of the external auditors shall be invited to attend at the Committee's discretion but shall not have a right of attendance. The Committee shall have the right to meet with the external auditors without any Executive Director present.

3 SECRETARY

The Company Secretary or their nominee shall act as the Secretary of the Committee.

4 FREQUENCY AND NOTICE OF MEETINGS

a) Meetings shall be held not less than twice per year at appropriate times in the reporting and audit cycle and otherwise as required. The external auditors may request a meeting if they consider that one is necessary.

b) Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chairman of the Committee or any two members of the Committee giving reasonable notice to the members of the Committee.

5 ANNUAL GENERAL MEETING

The Chairman of the Committee shall attend the AGM prepared to respond to any shareholder questions on the Committee's activities.

6 AUTHORITY

The Committee is authorised by the Board to investigate any activity within its Terms of Reference and shall be empowered to interview any director or other employee it believes can help it with its enquiries, and all employees are directed to co-operate with any request made by the Committee.

The Committee shall have access to sufficient resources in order to carry out its duties, including the right to obtain outside legal or other independent professional advice if it considers this necessary.

The Committee shall 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.

7 DUTIES

The main role and responsibilities of the Audit Committee:

7.1. Financial reporting

Monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them focusing particularly on:

- The consistency of and any changes to accounting policies and practices;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor,
- The clarity of disclosure in the Company's financial reports and the context in which statements are made;

7.2. Internal controls and risk management

- Keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- Review and approve the statements to be included in the annual report concerning internal controls and risk management;

7.3. Compliance, whistleblowing and fraud

- Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters so as to ensure that arrangements are in place for the proportionate and Independent Investigation of such matters and for appropriate follow-up action;
- Review the Company's systems and controls for the detection of fraud and prevention of bribery;

7.4. External audit

- 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 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.
- Oversee the relationship with the external auditor including (but not limited to):
- Recommendations on their 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 their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- Assessing annually the external auditor's Independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship as a whole, including the provision of any non-audit services;
- 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);
- Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner;

- 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;
- Develop and implement a policy on the engagement of the external auditor to supply non-audit services;
- Discuss with the external auditor(s) before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- Review the findings of the audit discussing any major issues which arose during the audit, any problems and reservations arising from the Interim and Final audits, and any matters the auditors may wish to discuss (In the absence of management where necessary);
- Review the external auditor's management letter and management's response.

8 REPORTING

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless inappropriate to do so.