

BEGBIES TRAYNOR GROUP PLC

Audit Committee

TERMS OF REFERENCE

## **BEGBIES TRAYNOR GROUP PLC**

### **AUDIT COMMITTEE - TERMS OF REFERENCE**

The Audit Committee has been established as a Board committee by the resolution of the Board passed on 21 September 2004.

#### **1. Membership**

- 1.1 The members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors.
- 1.2 The Audit Committee shall have at least one member. Each member shall be an independent non-executive director, that is, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. The first member shall be Philip Holden. A quorum shall be one member. A duly convened meeting of the Audit 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 Audit Committee.
- 1.3 The Audit Committee's chairman shall be appointed by the Board. In the absence of the chairman of the Audit Committee the remaining members present shall elect one of their number to chair the meeting.
- 1.4 If a member is unable to act for any reason, the chairman of the Audit Committee may appoint another non - executive director as an additional member provided always that the majority of members of the committee shall be independent as described in paragraph 1.2 above.

#### **2. Secretary**

The secretary of the Audit Committee shall be the Company Secretary or such other person as the Audit committee may appoint.

#### **3. Attendance at meetings**

- 3.1 The Audit Committee may invite any person it thinks appropriate to join the members of the Audit Committee at its meetings.
- 3.2 The finance director and a representative of the external auditors shall normally attend meetings of the Audit Committee.
- 3.3 At least once a year the Audit Committee shall meet with the external auditors without the finance director or any other executive director present.

#### **4. Frequency of meetings**

- 4.1 At least two meetings shall be held each year. These meetings shall be convened by the secretary of the Audit Committee at the request of its chairman.
- 4.2 Additionally, any of the chairman of the Audit Committee, the finance director and the external auditors may ask the secretary of the Audit Committee to convene a

meeting if he/they consider that such a meeting is necessary or appropriate. Further, the Auditors and the finance director may have access to the chairman or any other member of the Audit Committee as required in relation to any matter falling within the remit of the Audit Committee.

## 5. **Authority**

The Audit Committee is authorised by the Board:

- to investigate any activity within its terms of reference;
- to seek any information it requires from any employee;
- to obtain outside legal or other independent professional advice at the Company's expense; and
- to instruct external professional advisers to attend any meeting if it considers this necessary or appropriate at the Company's expense.

## 6. **Function and duties**

6.1 Generally, the function of the Audit Committee is to consider how the Board should:

- apply the Company's financial reporting and internal control principles; and
- maintain an appropriate relationship with the Company's external auditors.

6.2 The duties of the Audit Committee shall be:

- to consider the appointment of the external auditors, their audit fee and any matters relating to their resignation or dismissal;
- to keep under review:
  - the scope and results of the audit and its cost effectiveness;
  - the independence and objectivity of the external auditors; and
  - the non-audit services provided by the external auditors to the Company and the fees payable by the Company for those services, including with a view to ensuring a balance between value for money and the maintenance of the external auditors' objectivity;
- to discuss with the external auditors before the audit commences the nature and scope of the audit, and other relevant matters;
- to review, before submission of the relevant documents to the Board, the half year financial results, the preliminary announcement of annual results, the annual accounts and the accompanying reports to shareholders and any other announcement regarding the Company's results or other financial information, focusing particularly on:
  - any changes in accounting policies and practices;

- major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - compliance with accounting standards; and
  - compliance with London Stock Exchange and legal requirements and good corporate governance practices;
- to discuss issues and recommendations arising from the audit and any matters which the external auditors wish to discuss (in the absence of management, where necessary);
  - to review the external auditors' management letter and management's response;
  - to review the establishment of an operational audit programme and, where relevant, to consider the major findings of internal operational audit reviews and management's response and to ensure co-ordination between any internal and external auditors;
  - to review any statement to be made by the Board on internal control systems in its annual report prior to its endorsement by the Board and generally to keep under review the effectiveness of internal control systems;
  - to consider any internal audit programme and to ensure that it is adequately resourced;
  - to consider the major findings of any internal investigations and management's response to them; and
  - to consider other topics, as may be requested by the Board.

## 7. **Reporting to shareholders**

- 7.1 The Audit Committee should report annually on the Board's behalf to the Company's shareholders. Its report should accompany the directors' report in the Company's annual report and accounts.
- 7.2 The chairman of the Audit Committee should attend the Company's annual general meeting for the purpose of handling any questions or enquiries at the meeting about the latest audit.

8. **Minutes**

The secretary of the Audit Committee shall circulate the minutes of each meeting of the Audit Committee to all members of the Board and to the external auditors.

Halliwells LLP  
21 September 2004