

Company Number: 08696120

**mporium group plc
(the "Company")**

**TERMS OF REFERENCE OF THE
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

1. CONSTITUTION AND AUTHORITY

1.1 The Committee has been established by the board of Directors of the Company ("**Board**") under article 86 of the Company's Articles of Association and in accordance with the Quoted Companies Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies 2013.

1.2 The Committee is authorised to investigate and undertake any activity within these terms of reference. It is authorised to seek any information it properly requires in order to perform its duties from any employee of the Company or any subsidiary undertaking of the Company ("**Group**"). All such employees are directed to co-operate with any such request made by the Committee.

1.3 If the Committee considers it necessary so to do, it is authorised to obtain appropriate external professional advice including, without limitation, legal and accounting advice to assist it in the performance of its duties, to secure the services of outsiders with relevant experience and expertise. The cost of obtaining such advice or services shall be borne by the Company within such limits as may be authorised by the Board from time to time.

1.4 Each member of the Committee shall disclose to the Committee:

1.4.1 any personal, financial or other interest in any matter to be decided by the Committee; or

1.4.2 any potential conflict of interest arising from a cross-directorship or otherwise; and

any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

2. COMPOSITION AND MEETINGS

2.1 The Committee shall be appointed by the Board in consultation with the Chairman of the Audit Committee, and shall comprise at least two members. The chairman of the Board shall not be a member of the Committee unless the chairman of the Board was considered to be independent when he or she was first appointed to the Board. All members of the Committee shall (save as aforesaid with respect to the chairman of the Board) be independent non-executive directors.

- 2.2 The Chairman of the Committee, who shall be an independent non-executive director, shall be appointed by the Board. In the event of an equality of votes, the Chairman of the Committee shall have a second or casting vote. In the absence of the Chairman or any appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 2.3 The Company Secretary or his or her nominee shall be secretary of the Committee.
- 2.4 Members of the Committee shall be appointed for a period of up to three years, which may be extended for up to two additional periods of three years, provided that the relevant member continues to meet the criteria for membership of the Committee.
- 2.5 The Committee may ask the Chairman, Chief Executive, Finance Director, other directors, and where relevant the heads of risk, compliance and internal audit and any relevant senior member of staff from the finance function to attend meetings either regularly or by invitation, but only members of the Committee have rights of attendance.
- 2.6 A representative of the external auditors should normally attend all meetings of the Committee.
- 2.7 The Committee shall meet not less than three times in each financial reporting year at appropriate intervals in the financial reporting and audit cycle and at such other times as the Chairman of the Committee or the external or internal auditors (if they so consider it necessary) shall require. Any member of the Committee or the secretary may at any time convene a meeting of the Committee. If they consider that one is necessary, the Company's external auditors may at any time request a meeting of the Committee.
- 2.8 The secretary of the Committee shall circulate a notice of any meeting of the Committee confirming the venue, time and date of the meeting and enclosing the agenda of business to be covered at the meeting not less than three working days before each meeting of the Committee, to all members of the Committee and the external auditors. Supporting papers shall be sent to members of the Committee and to other attendees as appropriate at the same time.
- 2.9 The quorum for any meeting of the Committee shall be two.
- 2.10 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 vesting in or exercisable by the Committee.
- 2.11 Meetings may be held by telephone.
- 2.12 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.

3. **DUTIES**

The Committee should carry out the duties set out below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

3.1 Financial reporting

The Committee shall:

- 3.1.1 monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated by the external auditor; the Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;
- 3.1.2 review and challenge where necessary:
 - 3.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
 - 3.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 3.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 3.1.2.4 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
 - 3.1.2.5 all material information presented with the financial statements, including the information in the business review and the corporate governance statement relating to the audit and to risk management;
- 3.1.3 (where relevant) review the annual financial statements of the pension funds where not reviewed by the Board as a whole.

3.2 **Narrative reporting**

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

3.3 **Internal controls and risk management systems**

The Committee shall:

- 3.3.1 keep under review the effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- 3.3.2 review and approve any statement to be included in the Annual Financial Report concerning internal controls and risk management, unless this is done by the Board as a whole.

3.4 **Whistleblowing and fraud**

The Committee shall:

- 3.4.1 review the adequacy and security of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 3.4.2 review the Company's procedure for detecting fraud; and
- 3.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

3.5 **Internal audit**

If/when the Group has an internal audit function, the Committee shall:

- 3.5.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 3.5.2 approve the appointment and removal of the head of the internal audit function;
- 3.5.3 consider and approve the remit of the internal audit function, ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards for internal auditors. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;

- 3.5.4 ensure the internal auditor has direct access to the Chairman of the Committee and the Committee, and is accountable to the Committee;
- 3.5.5 review and assess the annual internal audit plan;
- 3.5.6 review promptly all reports on the Company from the internal auditors;
- 3.5.7 review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 3.5.8 meet the Heads of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out.

The Committee shall keep under review the need for the Group to establish an internal audit function.

3.6 **External Audit**

The Committee shall:

- 3.6.1 consider and make recommendations to the Board to be put to shareholders for approval at the AGM as regards the appointment, re-appointment and removal of the Company's external auditors;
- 3.6.2 oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 3.6.3 oversee the relationship with the external auditor including (but not limited to):
 - 3.6.3.1 approval of 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;
 - 3.6.3.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 3.6.3.3 assessing annually their 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;
 - 3.6.3.4 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) which could adversely affect the auditors independence and objectivity;

- 3.6.3.5 agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
- 3.6.3.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
- 3.6.3.7 assessing annually their 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;
- 3.6.3.8 seeking to ensure co-ordination with the activity of the internal audit function;
- 3.6.3.9 evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the auditor from the market in that evaluation;
- 3.6.4 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 3.6.5 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement having regard to the seniority, expertise and experience of the audit team;
- 3.6.6 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 3.6.6.1 a discussion of any major issues which arose during the audit,
 - 3.6.6.2 any accounting and audit judgements,
 - 3.6.6.3 levels of errors identified during the audit;
 - 3.6.6.4 the effectiveness of the audit process;
- 3.6.7 review any representation letter(s) requested by the external auditor before they are signed by management;
- 3.6.8 review the management letter and management's response to the auditor's finding and recommendations; and

- 3.6.9 develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

3.7 Reporting responsibilities

- 3.7.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - 3.7.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 3.1.1) and how these were addressed;
 - 3.7.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 3.6.3.7) and its recommendation on the appointment or reappointment of the external auditor; and
 - 3.7.1.3 any other issues on which the Board has requested the Committee's opinion.
- 3.7.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 3.7.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other applicable information requirements.
- 3.7.4 In the compiling reports referred to in 3.7.1 and 3.7.3 the Committee should exercise judgment in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

3.8 Other Matters

The Committee shall:

- 3.8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;

- 3.8.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 3.8.3 give due consideration to laws and regulations, the provisions and recommendations of the Quoted Companies Alliance's Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 as well as the UK Corporate Governance Code and the requirements of the London Stock Exchange plc as appropriate;
- 3.8.4 be responsible for co-ordination of the internal and external auditors;
- 3.8.5 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort;
- 3.8.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- 3.8.7 consider such other matters as may be requested by the Board.

4. **ANNUAL GENERAL MEETING**

The Chairman of the Committee shall attend each annual general meeting and be available to answer shareholder questions on the Committee's activities.

5. **MINUTES OF MEETINGS**

- 5.1 The secretary of the Committee shall minute the proceedings and resolutions of all the Committee meetings, including the names of those present and in attendance.
- 5.2 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.3 The secretary of the Committee shall circulate the minutes of Committee meetings to all members of the Committee and the external auditors and to the Chairman of the Board. Once approved, minutes should be circulated to all members of the Board unless it would be inappropriate to do so in the opinion of the Chairman of the Committee.

6. **OTHER MATTERS**

The Committee shall:

- 6.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 6.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

6.3 give due consideration to laws and regulations, the provisions of The UK Corporate Governance Code, the Quoted Companies Alliance's Code for Small and Mid-Size Quoted Companies 2013 and the requirements of the London Stock Exchange plc as appropriate.

Adopted at the meeting of the Board held on 2013.

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Chairman