

# Quadnetics Group plc

## Terms of Reference for the Audit Committee

### **Constitution**

1. The Board has resolved to establish a Committee of the Board to be known as the Audit Committee.

### **Membership**

2. The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than two members all of whom should be independent non - executive directors. A quorum shall be two members.
3. The Chairman of the Committee shall be appointed by the Board but will normally be the Senior Independent non-executive director. In the absence of the Committee Chairman, the remaining members shall elect one of themselves to chair the meeting.

### **Attendance at Meetings**

4. Executive Directors may be invited to attend Committee meetings.
5. The Committee may appoint any person to be Secretary of the Committee. The Secretary or acting secretary shall minute all proceedings and resolutions of all Committee meetings recording the names of those present and in attendance.

### **Frequency and Notice of Meetings**

6. Meetings shall normally be held at least twice a year.
7. The auditors shall normally attend two meetings each year.
8. Meetings of the Committee shall be summoned by the Secretary of the Committee (or in the absence of a permanent secretary by the Company Secretary) at the request of any of its members.

### **Authority**

9. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
10. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### **Duties**

11. The duties of the Committee shall be:
  - a. to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal and make recommendations thereon for approval by the Board;
  - b. to discuss and agree with the external auditor before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

- c. to review the half year and annual financial statements, focussing particularly on:
  - (i) any changes in accounting policies and practices
  - (ii) major judgmental areas
  - (iii) significant adjustments resulting from the audit
  - (iv) the going concern assumption
  - (v) compliance with accounting standards
  - (vi) compliance with Stock Exchange and legal requirements
- d. to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- e. to review the external auditor's management letter and management's response;
- f. to review the Company's statement on internal control systems prior to endorsement by the Board;
- g. to consider the major findings of internal investigations and management's response;
- h. to consider other topics, as defined by the Board.
- i. to review from time to time its own performance, constitution and terms of reference to ensure it operates effectively and to recommend any changes it considers necessary for approval by the Board.

### **Reporting Procedures**

- 12. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
- 13. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.