



**Adept4 plc**  
**(the "Group")**  
**Terms of reference for the Audit Committee**

**1. Constitution**

The Committee shall be established by resolution of the Board and shall be known as the Audit Committee (the "**Committee**").

**2. Membership**

- 2.1. The members of the Committee shall be appointed by the Board from amongst the directors of the Group (the "**Directors**") and shall comprise not less than two members. All of the members of the Committee shall be independent non-executive Directors.
- 2.2. At least one member of the Committee should have recent and relevant financial knowledge.
- 2.3. The Chairman of the Committee, who shall be an independent non-executive Director, shall be appointed by the Board which shall determine the period for which he/she shall hold office.
- 2.4. A quorum for decisions of the Committee shall be two members.
- 2.5. In order to fulfil the Committee's overall purpose the members of the Committee should:
  - (a) have no personal financial interest, other than as shareholders in the Group (if applicable), in the Committee's decisions;
  - (b) have no "cross-directorships" with the executive Directors which could be thought to offer scope for mutual agreements to bid up or otherwise enhance each other's remuneration;
  - (c) be independent of the Group's management and free from any business or other relationship with the Group or any member of the Group which could materially interfere with the exercise of their independent judgement; and



- (d) have a good understanding, enhanced as necessary by appropriate training or access to expert advice, of the ambit of the Committee's business.

### 3. Attendance at meetings

- 3.1. The Chairman of the Board, the Chief Executive and Finance Director of the Group and a representative of the external auditors of the Group (the "**Group's Auditors**") may, if invited by the Chairman of the Committee, attend and speak at meetings of the Committee. Other Board members shall also, if invited by the Chairman of the Committee, have the right of attendance.
- 3.2. At least once each year, representatives of the Group's Auditors shall meet the Committee without any executive Directors being present, except by invitation of the Committee.
- 3.3. The Committee may at each meeting appoint one of their number to be the Secretary of the Committee.

### 4. Financial reporting and control Frequency of meetings

- 4.1. Meetings shall be held at least twice a year. The Group's Auditors and any member of the Committee may request a meeting if they consider that one is necessary.
- 4.2. At least seven days' notice of any meeting of the Committee shall be given, although such notice may be waived or shortened with the consent of all the members of the Committee for the time being.

### 5. Authority

- 5.1. 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.
- 5.2. The Committee is authorised by the Board to obtain, at the cost of the Group, outside professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.



## 6. Duties

6.1. The duties of the Committee shall be:

- (a) to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the Group's Auditors and to approve the remuneration and terms of engagement of the Group's Auditors;
- (b) to approve the auditors' terms of engagement, including any engagement letter issued at the start of the audit and the scope of the audit;
- (c) to discuss with the Group's Auditors before the audit commences the nature and scope of the audit, and other relevant matters and ensure co-ordination where more than one audit firm is involved;
- (d) to review and monitor:
  - (i) the independence and objectivity of the Group's Auditors; and
  - (ii) the effectiveness of the audit process,taking into consideration relevant professional and regulatory requirements;
- (e) to monitor in discussion with the Group's Auditors the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them and in particular to review the half year and annual financial statements before submission to the Board, focusing 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;
  - (vii) the extent to which the financial statements are affected by any unusual transaction;
- (f) to discuss problems and reservations arising from the audit, and any matters the Group's Auditors may wish to discuss (in the absence of management where necessary);
- (g) to review the Group's Auditors' management letter and management's response;
- (h) to review the Group's internal financial controls and the Group's internal control and risk management systems;
- (i) to review the Group's statement on internal control systems prior to endorsement by the Board;
- (j) to monitor and review the effectiveness of any internal audit function, ensure co-ordination between the internal and external auditors and ensure that it is adequately resourced and has appropriate standing within the Group (and where there is no internal audit function, consider annually whether there is a need for an internal audit function and make a recommendation to the Board);
- (k) to develop and implement policy on the engagement of the Group's Auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the Group's Auditors; and to report to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (l) to review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action;
- (m) to consider the major findings of the Group's Auditors, or any internal investigations and management's response; and



(n) to consider other topics referred to the Committee by the Board.

## 7. Procedures

- 7.1. The Secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board and to the Group Auditors. All decisions of the Committee shall be reported to the Board.
- 7.2. The Chairman of the Committee shall be available at the Annual General Meeting of the Group to respond to any shareholder questions on the activities and responsibilities of the Committee.
- 7.3. The Committee shall conduct an annual review of its work and these terms of reference and shall make recommendations about this to the Board.
- 7.4. Members of the Committee shall be provided with appropriate and timely training.

Approved by the Board

