



**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

**September 2018**



## RAVENSCROFT HOLDINGS LIMITED (the "Company")

### AUDIT COMMITTEE - TERMS OF REFERENCE

#### CONSTITUTION

1. The current members of the Audit Committee for the time being shall be:

Dominic Jones - Chairman  
Stephen Lansdown  
Christopher Barling
2. The Audit Committee (the "**Committee**") shall consist of a minimum of two members appointed by the Board of the Company (the "**Board**"), membership being confined to independent Non-Executive Directors. The Chair of the Committee shall be appointed by the Board which shall determine the period for which he/she shall hold office as per the election process described in the Company's Articles of Incorporation. In the absence of the Audit Committee Chair, the remaining members present shall elect one other member present to chair the meeting. The Ravenscroft Group ("**Group**") Company Secretary or Assistant Company Secretary or their nominee shall act as the Secretary to the Committee and as a co-ordinating intermediary between the Board and the Committee.
3. At least one member of the Committee should have recent and relevant financial experience.
4. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
5. In deciding chairmanship and membership of the Committee, the value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account. This will be reviewed annually on a formal basis and discussed at each Committee meeting by referring to the Attendance Schedule.
6. The quorum for decisions of the Committee shall be any 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.



## ROLE

7. The main role and responsibilities of the Committee shall be:
- 7.1 to monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor;
  - 7.2 to review and challenge where necessary:
    - 7.2.1 the application of significant accounting policies and any changes to them;
    - 7.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
    - 7.2.3 whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements; and
    - 7.2.4 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.
  - 7.3 the committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook;
  - 7.4 to 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 at a General Meeting;
  - 7.5 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant local and UK professional and regulatory requirements;
  - 7.6 to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers



that action or improvement is needed and making recommendations as to the steps to be taken;

- 7.7 to make recommendations to the Board, for the appointment, re-appointment and removal of the external auditor and the approval of the remuneration and terms of engagement of the external auditor to be put to the shareholders for their consideration and approval at a general meeting;
- 7.8 develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process; and
- 7.9 to report to the Board on how it has discharged its responsibilities.

**8.** The Committee shall:

- 8.1 meet with the Company's external auditor at each annual audit to consider the nature and scope of the audit (and, where more than one audit firm is involved, monitoring co-ordination between them), post audit at the reporting stage, and near the conclusion of the interim review work;
- 8.2 meet the Board formally at least twice a year to discuss matters such as the annual report and the relationship with the external auditor;
- 8.3 discuss, in the absence of the executive directors (if appropriate), any problems or reservations which the Company's external auditor may have arising from final audits and any interim audits or otherwise;
- 8.4 review and consider the audit plans, audit findings reports and interim reports produced by the Company's external auditor;
- 8.5 review any representation letter(s) requested by the Company's external auditor before they are signed on behalf of the Board, review any responses to the Company's external auditor's findings and recommendations and take responsibility for the resolution of any disagreements between management and the Company's external auditor;
- 8.6 assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on its own internal quality procedures;
- 8.7 monitor the level of fees paid by the company to the external auditor compared to the overall fee income of the Group and assess these in the context of relevant legal, professional and regulatory requirements;



- 8.8 monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the Committee shall consider annually whether there is a need for an internal audit function and make a recommendation to the Board. The reasons for the absence of such a function shall be explained in the relevant section of the annual report;
- 8.9 consider the major findings of the Company's external auditor (including any management letters from the Company's external auditor) and/or internal investigations and management's response to those findings and investigations;
- 8.10 consider the requirements of the TISE Listing Rules and Membership Rules;
- 8.11 consider the requirements of the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission and the UK Code of Corporate Governance;
- 8.12 review arrangements by which staff of the Company may, in confidence, raise concerns about possible impropriety in matters of financial reporting or other matters, which are referred to within the Group's Whistleblowing Policy. The Committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- 8.13 consider and approve the Group Compliance Monitoring Programme as and when required;
- 8.14 consider any other matter specifically referred to the Committee by the Board;
- 8.15 oversee any investigation of activities which are within the Committee's terms of reference and regularly report to the Board how it has discharged its responsibilities; and
- 8.16 ensure that the annual report contains a separate section describing the work of the Committee in discharging its responsibilities, including:
  - 8.16.1 the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed;
  - 8.16.2 an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment



or re-appointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and

- 8.16.3 if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.

## **PROCEDURE**

9. Only members of the Committee have the right to be present and vote at Committee meetings. However, the Company's auditor, the Group Chief Executive Officer ("CEO"), Group Managing Director, CEOs of regulated subsidiaries, Group Finance Director, Group Chief Operating Officer and Head of Compliance may be invited to attend and speak at meetings of the Committee and at least once each year representatives of the Company's auditor shall meet the Committee without any executive directors being present, except by invitation of the Committee.
10. The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require. Meetings of the Committee may be held by telephone or video conference. The Company's auditor may request a meeting if they consider it necessary. Meetings may also be called at the request of any member of the Committee.
11. At least seven days' notice of any meeting of the Committee shall be given to each member of the Committee, confirming the venue, time and date of the meeting and attaching an agenda of items to be discussed. All supporting papers must be sent out five working days before the meeting, although such notice period may be waived or shortened with the consent of all the members of the Committee for the time being.
12. The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings (including the names of those present and in attendance) and shall ensure the Committee is properly constituted and advised. The Secretary of the Committee should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The minutes of the meeting of the Committee shall be circulated to all members of the Committee and, once signed, to all other members of the Board and to the Company's auditor on request unless a conflict of interest exists.
13. All decisions of the Committee shall be reported to the Board.



14. The Chair of the Committee shall attend the Company's Annual General Meeting prepared to respond to any shareholder questions on the Committee and its activities and responsibilities.
15. The Board authorises the Committee:
  - 15.1 to investigate any activity within its terms of reference and seek directly any information it requires from any employee, consultant or contractor of the Group and other provider of services to the Group (e.g. solicitors, tax advisers, management consultants) (all such persons being directed to co-operate with any such request by the Committee);
  - 15.2 to obtain outside legal or other independent professional advice at the cost of the Company and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary (but such persons shall not be members of the Committee); and
  - 15.3 to call any member of staff to be questioned at a meeting of the Committee as and when required.
16. The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members, and on an on-going basis for all members as delivered by the Chair.
17. The Committee shall conduct an annual review of its own performance, constitution and these terms of reference to ensure that it is operating at maximum effectiveness and shall make recommendations to the Board.
18. References in these terms of reference to the "**Group**" mean the Company and its subsidiaries.
19. These terms of reference, including the Committee's role and the authority delegated to it by the Board, shall be made available on request and by publication on the Company's website.

**1 September 2018**