

## **ZETEX PLC**

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD APPOINTED UNDER ARTICLE 133**

#### **1 Objective**

*The Committee shall be a committee of the Board and will primarily concern itself with financial reporting and internal financial controls and ensuring the independence and objectivity of the Group's auditors.*

#### **2 Terms of Reference**

- 2.1 *Monitor the integrity of the Group's financial statements and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained therein.*
- 2.2 *Review internal control procedures and the financial conduct of the Group's affairs, including its accounting policies.*
- 2.3 *Annually review the working capital position of the Group and present its conclusions as to whether the business is a Going Concern to the Board.*
- 2.4 *Consider the appointment of the external Auditor, the audit fee, and any changes in external Auditor, and make recommendations to the Board where appropriate.*
- 2.5 *Consider the independence of the external Auditor, including review of the non-audit services provided by the external Auditor and related fees. The Committee shall require the external Auditor to receive approval in writing from the Committee in advance of undertaking any assignment, which does not fall within the scope of their audit work. The Committee shall require the external Auditor to report annually in writing as to the nature and extent of any non-audit services provided during the previous financial year. The Appendix to these Terms of Reference outlines a range of areas of work where the Committee believes, prima facie, that the independence of the external Auditor may be compromised.*
- 2.6 *Determine with the external Auditor the nature and scope of the audit of the consolidated financial statements and their reliance upon other auditors if applicable, and review with the external Auditor its Report and recommendations (in the absence of management if necessary).*
- 2.7 *Following from 2.6 above, review the draft Preliminary Statement, the draft Interim Results Statement and Annual Report and Accounts prior to final consideration and approval by the Board. Said review should focus upon:*
  - i) *major judgmental areas;*
  - ii) *significant adjustments resulting from the audit;*
  - iii) *compliance with accounting standards;*
  - iv) *compliance with stock exchange and legal requirements;*
- 2.8 *Review other published documents and consider whether the information contained in them is consistent with the information contained in the annual financial statements.*
- 2.9 *Review the legal, regulatory and current accounting standards matters that*

*may have a material impact on the financial statements, related company compliance policies, and reports received from regulators.*

- 2.10 *Review the Group's Risk Management Programme and make appropriate recommendations to the Board and the Executive Directors.*
- 2.11 *Consider and review the effectiveness of the Group's foreign currency hedging strategy.*
- 2.12 *Consider the nature, scope and extent of any internal audit function carried on by the Group. Specifically, determine the requirement and efficacy of such a function in complying with the Combined Code. In cases where an internal audit function is carried out, the internal Auditor shall report directly to the Chairman of the Committee.*
- 2.13 *Review and report to the Board as necessary with regard to any actual or potential litigation pertaining to the Group.*
- 2.14 *Review the arrangements by which staff of the Group may raise concerns in confidence about possible improprieties in the matter of financial reporting or other matters.*

### **3 Constitution**

- 3.1 *B Waite (Chairman) - non-executive director  
R E Venter - non-executive director  
E P Airey - non-executive director*
- 3.2 *The Chairman of the Committee shall be appointed by the Board.*
- 3.3 *If the Chairman of the Committee is not present at a meeting, the members present shall elect one of their number as Chairman of the meeting.*
- 3.4 *The Company Secretary shall be secretary of the Committee.*
- 3.5 *The Committee shall have the power to invite such other persons as it deems necessary or expedient to attend its meetings.*
- 3.6 *The power of appointing and removing members of the Committee shall be exercised by the Board.*

### **4 Transaction of Business**

- 4.1 *The quorum necessary for the transaction of the business of the committee shall be two and the Chairman shall not have a second or casting vote.*
- 4.2 *In accordance with Article 162 of the Articles of Association of the Company, a Meeting of the Audit Committee may be validly held notwithstanding that such Committee Members may not be in the same place provided that they are in constant communication with each other throughout by telephone, video with voice link or other form of communication.*
- 4.3 *In accordance with Article 161 of the Articles of Association of the Company, a resolution in writing signed by all the members of the Committee for the time being shall be as valid and effectual as a resolution passed at a Meeting of the Committee duly called and constituted. Such resolution may be contained in one document or in several documents in like form each signed by one or more Members of the Committee.*

**5 Minutes**

*The Committee shall cause minutes to be kept of the names of the members of the Committee present and of the resolutions and proceedings at each of its meetings and once approved by the Committee, shall circulate such minutes to the Board.*

**6 Report**

*The Committee shall prepare a report of its activities for consideration by the Board, arising from its regular meetings. Additionally, the Committee shall prepare a report for inclusion in the Company's Annual Report describing the work of the Committee in accordance with Provision C.3.3 of the Combined Code.*

**7 Frequency**

- 7.1 *The Committee shall meet at least three times a year and thereafter as frequently as it considers necessary to fulfil its terms of reference.*
- 7.2 *The Committee shall meet promptly at the request of the external Auditor should the external Auditor consider it necessary.*
- 7.3 *The Committee shall meet with the external Auditor without any executive management being present at least once a year.*

**Appendix to Terms of Reference of the Audit Committee  
NON-AUDIT WORK**

The following areas of non-audit work, which are regarded as illustrative and not limiting, are regarded by the Audit Committee as being areas of work which, prima facie, may compromise the independence of the Auditors.

- i. Internal accounting or other internal financial services
- ii. Design, development or implementation of financial information or internal control systems
- iii. Internal audit services or their outsourcing
- iv. Compliance services (including those related to fraud and money laundering)
- v. Forensic Accounting services
- vi. Transaction work (mergers/acquisitions/disposals/schemes of arrangement etc)
- vii. Valuation services
- viii. Fairness opinions and contribution-in-kind reports
- ix. Actuarial services
- x. Personal tax services
- xi. Executive or 'management' roles and functions
- xii. Management consultancy
- xiii. HR or recruitment services
- xiv. Remuneration consultancy
- xv. IT consultancy
- xvi. Other financial services (e.g. broker, financial adviser or investment banking services)
- xvii. Legal services and other professional services unrelated to the audit

Additionally, the Committee will specifically require, in advance and in writing, a clear understanding of the scope of any work proposed to be carried out by the auditors in the areas of Regulatory Compliance, Reporting Accountant services and Corporate Taxation, whether planning or compliance, to ensure that audit independence will not be compromised.