

THE AUDIT COMMITTEE – TERMS OF REFERENCE

A. Sub-Committee of the Board:

The Audit Committee ('the Committee') has been established under Article 108 of the Company's Articles of Association.

B. Membership of the Committee:

- 1) The Committee comprises the two directors, one of whom is a non-executive director, each shall be appointed by the Board (on the recommendation of the Nomination Committee and Chairman of the Committee). Whilst the Combined Code requires at least three non-executive directors sit on the Audit Committee, the board believes that this is impractical for a company of Abbeycrest's size. At least one member shall have recent and relevant financial experience.
- 2) The Board shall appoint the Committee Chairman and determine the period for which the members of the committee shall hold office notwithstanding that, although the Chairman of the company might qualify as a member of the Committee, the Chairman of the company shall not normally be eligible to be appointed as Chairman of the Committee.
- 3) The Committee Chairman and members shall be listed each year in the Annual Report.

C. Purposes of the Committee

The main role and responsibilities of the Audit Committee are to:

1. Monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.
2. Review the Company's internal financial controls and internal control and risk management systems.
3. Monitor and review the effectiveness of the Company's internal audit function.
4. Make recommendations to the Main Board in relation to the appointment, re-appointment and removal of the external auditor and approve remuneration and terms of engagement of the external auditor.
5. Review and monitor the external auditor's independence and the effectiveness of the audit process and
6. Develop and implement a policy on the engagement of the external auditor to supply non-audit services.
7. The Audit Committee approves all non-audit services provided by the external auditors, in order to monitor and safeguard the external auditor's independence.

To this end the Committee shall:

1. External Auditors:

- Consider and make recommendations to the Board for the appointment, re-appointment or removal of the Group external auditor and to approve the remuneration and terms of engagement of the Group external auditor.
- If the Main Board does not accept the Committee's recommendation on the appointment, re-appointment and removal of the Group external auditor, prepare a statement explaining the Committee's recommendation which shall be included in the Annual Report and in any papers recommending appointment or re-appointment together with the Main Board's reasons for taking a different position.

- Discuss with the external auditor before the audit commences the nature, scope and co-ordination of the audit.
- Review and monitor the independence and objectivity of the auditors and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- Develop and implement a policy on the provision of non-audit services by the Group external auditor, taking into account relevant ethical guidance and report to the Main Board identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken (so as to ensure that the provision of such services does not impair the Group external auditor's independence and objectivity);
- Consider the Group external auditor's work plan for the annual audit, interim and quarterly reviews and proposed resources in light of the scope of the audit.
- Discuss with the Group external auditor issues arising from the interim and final audits and any matters the auditor may wish to discuss (in the absence of management where necessary), including:
 - a) Any major issues that arose during the course of the audit.
 - b) Key accounting and audit judgements.
 - c) Levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted and
 - d) Any reservations that the Group external auditor may have and other matters that they wish to raise.
- Review the audit representation letters before signature by management, giving particular consideration to matters where representation has been requested that relates to non-standard issues.
- Review the Group external auditor's management letter and management's response.
- At the end of the annual audit cycle, assess the effectiveness of the audit process; in the course of so doing the Committee should:
 - a) Review whether the auditor has met the agreed audit plan and understand the reasons for any changes.
 - b) Consider the robustness and perceptiveness of the auditors in their handling of the identified key accounting and audit judgements, in responding to the Committee's questions and in their commentary on the internal control systems.
 - c) Obtain feedback about the conduct of the audit from key people (e.g. Group Finance Director and financial accountants) and
 - d) Review and monitor the content of the Group external auditor's management letter, to assess whether it is based on good understanding of the Company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.

2. Internal Audit:

- Review and approve the internal audit function's remit, having regard to the role fulfilled by the external audit function.
- Ensure that the person responsible for internal audit has direct access to the Chairman of the Board and to the Committee and is accountable to the Committee.
- Review and assess the annual internal audit work plan and receive reports on the results on the internal auditor's work on a periodic basis.
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations.
- Meet with the person responsible for internal audit, without management, at least once a year.
- Monitor and review the effectiveness of the internal audit function in the context of the Company's risk management system, as well as to ensure that the internal audit function is adequately resourced, has access to the information necessary to enable it to fulfil its mandate, and is able to perform in accordance with appropriate professional standards for internal auditors.

- Approve the appointment or termination of appointment of the person responsible for internal audit.

3. Financial Statements:

- Assist the Board in ensuring the Company's published financial statements comply with statute and all applicable accounting standards and good practice.
- Monitor the integrity of the financial statements of the Company including any interim reports and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them, focusing particularly on:
 - a) Any changes in accounting policies and practices.
 - b) Whether the company has adopted appropriate accounting policies.
 - c) The completeness of disclosures in financial statements and whether the disclosures made are set properly in context.
 - d) Major judgemental areas.
 - e) Significant adjustments resulting from the audit.
 - f) The going concern assumption.
 - g) Compliance with accounting standards.
 - h) Compliance with the UK Listing Authority's Listing Rules and legal requirements and
 - i) Any other statutory or quasi-statutory requirements.

4. Internal Control and Risk Management:

- Review the Company's internal financial controls (that is the systems established to identify, assess, manage and monitor financial risks) and to review the effectiveness of the Group's internal control and risk management systems, prior to endorsement by the Board.
- Review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- Consider the major findings of internal investigations and management's response.

5. Reporting Responsibilities:

- Assist the Board by preparing a statement for inclusion in the Annual Report describing the role and responsibilities of the Committee and actions taken by it to discharge those responsibilities, as well as listing the names of all members of the Committee, the number of Committee meetings and attendance by each member.
- Produce for the Board's approval the statement for inclusion in the Annual Report in relation to internal control and the management of risk.
- If the external auditor provides non-audit services, provide an explanation, for inclusion in the Annual Report, of how auditor objectivity and independence has been safeguarded.

6. Miscellaneous:

1. Enquire into transactions in which Directors or senior management may be personally interested.
2. Monitor compliance with Board procedures.
3. Make available these Terms of Reference, explaining the Committee's role and the authority delegated to it by the Board.

D. Meetings:

1. The Committee shall meet at such time and such places as the Chairman of the Committee, in consultation with the Company Secretary, shall notify to all members of the Committee provided that the Committee shall meet at least twice a year to consider all issues arising regarding the financial

performance and control environment including half-year and annual financial statements before submission to the Board.

2. Any two members of the Committee or the external auditors may require a meeting of the Committee to be held at any time upon giving reasonable notice to the members of the Committee.
3. Other Board Members shall have a right of attendance.
4. No Board member or Committee attendee shall participate in any discussion or decision on any matter where a potential conflict of interest may arise and (if so requested by the Committee) shall not be in attendance whilst such resolution is being considered by the Committee.
5. In the event of equality of votes, the Committee Chairman shall have a casting vote.
6. Each member of the Committee shall disclose to the Committee any personal financial interest in any matter to be decided by the Committee and any potential conflict of interest arising from a cross-directorship.

E. Professional Advice and Other Information:

1. The Committee is authorised to see any information it requires from any staff member and all staff members will be required to co-operate with any request made by the Committee.
2. The Committee is authorised by the Board, in the furtherance of its duties, to obtain outside legal or other independent professional advice at the Company's expense. Any advice obtained shall be available to the other members of the Board and the Company Secretary, if the Board so requests.

F. Minutes:

- The Committee shall ensure that minutes are made of each meeting of the Committee.
- Circulate the minutes of meetings of the Committee to all members of the Board and other attendees present at meetings.

G. Annual General Meeting:

All members of the Committee shall attend the Annual General Meeting and the Chairman of the Committee shall be prepared to respond to any shareholder's questions on the Committee's activities.

End.