



## **FIRST PROPERTY GROUP PLC**

### **AUDIT COMMITTEE**

#### **TERMS OF REFERENCE**

##### **Membership**

Members of the committee shall be appointed by the Board.

The committee shall be made up of at least two members.

All members of the committee shall be Directors at least one of whom shall have recent and relevant financial experience.

The members of the audit committee for the time being shall be:

Peter Moon (Committee Chairman); and  
Alasdair Locke

Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chief Executive, the Chief Financial Officer, other senior executives and representatives from the compliance and finance function may be invited to attend all or part of any meeting as and when appropriate.

The external auditors will be invited to attend meetings of the committee as required.

The Board shall appoint the committee Chairman who shall be an independent Non-Executive Director.

##### **Secretary**

The Company Secretary or their nominee shall act as the secretary of the committee.

##### **Quorum**

The quorum necessary for the transaction of business shall be 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.

##### **Frequency of Meetings**

The committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required.

##### **Notice of Meetings**

Meetings of the committee shall be called by the Secretary of the committee at the request of any of its members or at the request of external auditors if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

**Minutes of Meetings**

The Secretary shall minute the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.

The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Minutes of committee meetings shall be circulated promptly to all members of the committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

**Annual General Meeting**

The chairman of the committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the committee's activities.

**Duties**

The committee should carry out the duties below for the group as a whole, as appropriate.

**Financial reporting**

- The committee shall monitor the integrity of the financial statements of the group, including its annual and half-yearly reports, interim management statements, preliminary and interim results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The committee shall also review summary financial statements and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- The committee shall review and challenge where necessary the consistency of, and any changes to, accounting policies both on a year on year basis and across the group.
- The methods used to account for significant or unusual transactions where different approaches are possible whether the group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
- The clarity of disclosure in the group's financial reports and the context in which statements are made; and
- All material information presented with the financial statements, such as the Chief Executive's review and Directors Report (insofar as it relates to the audit and risk management).

**Internal controls and risk management systems**

The committee shall:

- keep under review the effectiveness of the group's internal controls and risk management systems; and
- review and approve the statements to be included in the annual report concerning internal controls and risk management.

**Internal audit**

- The group does not have an internal audit function. The Committee should consider annually whether there should be one and make a recommendation to the Board accordingly.

## External audit

The committee shall:

- consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the group's external auditor. The committee shall oversee the selection process for new auditors and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required.
- oversee the relationship with the external auditor including (but not limited to):
  - approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted.
  - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
  - assessing annually their independence and objectivity taking into account relevant UK or International (as applicable) professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.
  - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the group (other than in the ordinary course of business).
  - agreeing with the Board a policy on the employment of former employees of the group's auditor, then monitoring the implementation of this policy.
  - monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the group compared to the overall fee income of the firm, office and partner and other related requirements.
  - assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
  - review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
  - review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
    - ❖ a discussion of any major issues which arose during the audit.
    - ❖ any accounting and audit judgements.
    - ❖ levels of errors identified during the audit.

The committee shall also review the effectiveness of the audit.

- review any representation letter(s) requested by the external auditor before they are signed by management.
- review the management letter and management's response to the auditor's findings and recommendations.
- develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.