



ARC INTERNATIONAL PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

Committee Members

Chairman – Richard Barfield
Steven Gunders

- (a) In order to assist the Board in discharging its duty to ensure that the financial statements presented by the Company to its shareholders conform with all legal requirements and that the Company's systems of financial control are adequate, the Audit Committee shall keep such matters under review and shall from time to time make appropriate recommendations to the Board.
- (b) In particular, but without limiting the generality of paragraph (a), the Audit Committee shall:
 - (i) consider the appointment of the Auditors of the Company (the “Auditors”), their fees, and any questions of or relating to their resignation or removal, and review the nature and extent of non-auditing services provided by the Auditors, seeking to balance the objectivity and independence needed in the conduct of the audit with value for money;
 - (ii) discuss with the Auditors before the audit commences the nature and scope of the audit, and, where more than one firm of Auditors is involved, to ensure coordination between them;
 - (iii) review the quarterly, half-yearly and annual financial statements before submission to the Board, focusing particularly on:
 - (A) any changes in accounting policies and practices;
 - (B) major judgmental areas;

- (C) significant adjustments;
 - (D) the going concern assumption;
 - (E) compliance with accounting standards;
 - (F) compliance with the requirements of the London Stock Exchange and the United Kingdom Listing Authority;
 - (G) compliance with legal requirements;
- (iv) discuss the results of the audit and any problems and reservations arising from the preparation and audit of such financial statements, and any matters which the Auditors may wish to discuss (in the absence of management where necessary);
 - (v) review the Auditors' management letters and the response thereto of the management of the Company or any other Subsidiary of the Company;
 - (vi) review the Company's statements on internal control systems prior to endorsement by the Board;
 - (vii) review the internal financial control systems of the Company and review the internal audit program and procedures, ensure coordination between the Auditors and the internal auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
 - (viii) consider the major findings of internal investigations and the response of management thereto;
 - (ix) monitor the "whistleblowing" policy and confidential telephone hotline; and
 - (x) consider such other matters as the Board may from time to time refer to it.
- (c) The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It may seek any information it requires from any employee of the Company. All such employees will be directed to cooperate fully with any request made of them by the Audit Committee within its terms of reference.
 - (d) If at any time the Auditors shall request a meeting with the Audit Committee (whether with or without any other Director or Directors present) the Audit Committee shall arrange such a meeting as soon as reasonably practicable.
 - (e) In addition to the members of the Audit Committee, the Committee may invite the Chief Financial Officer, a representative of the Auditors and other Board members as deemed appropriate. Only members of the Audit Committee are entitled to vote at meetings of the Audit Committee. On at least one occasion in each year the Audit Committee shall meet the Auditors without any executive Directors present.

- (f) The Audit Committee may obtain, at the Company's expense, outside legal or other independent professional advice and secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary, but such persons shall not be members of the Audit Committee.
- (g) In the event that any director of the Company or any of its subsidiaries shall indicate to the Audit Committee that he requires, or has obtained, independent legal or other professional advice in relation to his duties as such director, the Audit Committee may authorise the obtaining at the Company's expense of such advice by such director on such terms as the Audit Committee may think fit.
- (h) The Audit Committee shall inform the *Chief Executive Officer* of the Company and the Chairman of the Board of any expenses of the kind referred to in paragraphs (f) and (g) which it has incurred or approved as soon as it is appropriate in the particular circumstances for the Audit Committee to do so.
- (i) The Chairman shall be appointed by the Board from amongst the Non-Executive Directors of the Company. The Audit Committee shall consist of not less than two members, all of whom should be independent Non-Executive Directors (i.e. shall have no personal interest other than as shareholders in the Company, no conflicts of interest arising from cross-directorships with directors of the Company and no day-to-day involvement in running the Company). The quorum for meetings of the Audit Committee shall be two members. Meetings of the Audit Committee shall be held not less than twice a year and otherwise as any member of the Audit Committee may require. Members of the Audit Committee shall be named in the Annual Report and Accounts of the Company.
- (j) The Secretary of the Company shall act as secretary of the Audit Committee. Minutes shall be taken of all meetings of the Audit Committee, copies of which shall be circulated to all members of the Board.
- (k) Subject to the Articles of Association of the Company, the Audit Committee shall determine its own procedures.