

## **RETROSCREEN VIROLOGY GROUP PLC**

**(the "Company")**

### **AUDIT COMMITTEE TERMS OF REFERENCE**

#### **1. OBJECTIVES**

- 1.1 To increase shareholder confidence and to ensure the credibility and objectivity of published financial information.
- 1.2 To assist the Board in meeting its financial reporting responsibilities.
- 1.3 To assist the Board in ensuring the effectiveness of the Company's internal accounting and financial controls.
- 1.4 To strengthen the independent position of the Company's external auditors by providing channels of communication between them and the non-executive directors.
- 1.5 To review the performance of the Company's internal and external auditing functions.

#### **2. REMIT AND AUTHORITY**

- 2.1 The Audit Committee is a sub-committee of the Board of Directors and as such exercises such powers of the Board as have been delegated to it, is answerable to the Board and will report to it on a regular basis.
- 2.2 In particular the Audit Committee has authority to carry out the following duties:-
  - 2.2.1 to make recommendations to the Board on the appointment and re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal relating to the auditors;
  - 2.2.2 to review and challenge where necessary, the financial statements of the Company including its half year and annual financial statements before their submission to the Board and any other formal announcements relating to its financial performance;
  - 2.2.3 to enter into discussions with external auditors concerning the nature and scope of the audit; to co-ordinate the audit where more than one firm is involved; to monitor and review any problems or reservations arising from the audit; and to discuss any matters which the external auditor wishes to discuss, without executive Board members present;
  - 2.2.4 to review the results and cost effectiveness of the audit and the independence and objectivity of the external auditors;
  - 2.2.5 to review the external auditors' management letter and management's response;
  - 2.2.6 to consider communications from the external auditors on audit planning and findings and on material weaknesses in accounting and internal control systems that have come to the auditors' attention;
  - 2.2.7 to review and discuss with management and auditors the preliminary results, interim information and annual financial statements before submission to the Board, focusing particularly on:-
    - (a) the quality and acceptability of the accounting policies and practices and financial reporting disclosures and changes thereto;
    - (b) areas involving significant judgement, estimation or uncertainty;

- (c) material misstatements detected by the auditors that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted;
  - (d) the basis for the going concern assumption;
  - (e) compliance with financial reporting standards and relevant financial and governance reporting requirements;
- 2.2.8 to discuss any difficulties, reservations or other matters arising from the external auditors' interim and final audits (in the absence of management, where necessary);
- 2.2.9 to review, prior to its consideration by the Board, the external auditors' report to the directors and management's response;
- 2.2.10 to monitor and review the effectiveness of the Company's internal financial controls and in particular to review:-
- (a) the policies and overall process for identifying and assessing business risks and managing their impact on the Company;
  - (b) regular assurance reports from management, internal audit, external audit and others on the operational effectiveness of matters related to risk and control;
  - (c) the timeliness of, and reports on, the effectiveness of corrective action taken by management; and
  - (d) the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 2.2.11 to consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts;
- 2.2.12 to:-
- (a) consider the appointment, resignation or dismissal of the head of internal audit;
  - (b) review and discuss with the head of internal audit the scope of work of the internal audit function, its plans, the issues identified as a result of its work and how management is addressing these issues;
  - (c) ensure that the function is adequately resourced, and has appropriate authority and standing within the Company; and
  - (d) review co-ordination between the internal and external auditors and (where relevant) the risk management department;
- 2.2.13 where there is no internal audit function, to consider annually whether there is a need for an internal audit function;
- 2.2.14 to review any significant findings of internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management, where necessary);
- 2.2.15 to consider the disclosure about the role of the audit committee included in the annual report;
- 2.2.16 to review other disclosures or documents as determined by the Board;

- 2.2.17 to consider other topics, as defined by the Board, such as the Company's policies for preventing or detecting fraud, its code of corporate conduct/business ethics, or the policies for ensuring that the Company complies with relevant regulatory and legal requirements;
  - 2.2.18 to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
  - 2.2.19 to ensure that arrangements are in place for investigation of possible impropriety in matters of financial reporting or other matters, focusing particularly on:-
    - (a) the proportionality and independence of these investigations; and
    - (b) the appropriateness of follow-up action by the Audit Committee;
  - 2.2.20 periodically to review and update its own terms of reference requesting Board approval for all proposed changes and, at appropriate intervals, evaluate its own performance against its terms of reference and best practice.
- 2.3 The Audit Committee is authorised to obtain external professional (including legal) advice in pursuance of its duties at the cost of the Company.
- 2.4 If the auditors also supply non-audit services to the Company, the Audit Committee should:-
- 2.4.1 keep the nature and extent of such services under review (seeking to balance the maintenance of objectivity and value for money);
  - 2.4.2 take into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
  - 2.4.3 report to the 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.

### 3. **MEMBERSHIP**

- 3.1 The Audit Committee shall have at least two members who shall be appointed by the Board and be drawn exclusively from the non-executive directors of the Company. A majority of these non-executive directors should be independent of the executive directors and management and also be free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Chairman of the Audit Committee shall be appointed by the Board of the Company and shall be a non-executive director. The membership of this Committee is to be set out in the annual report and accounts of the Company. The quorum for any decisions shall be two members of whom at least one must be independent of the management of the Company.
- 3.2 At least one member of the Audit Committee must have recent and relevant financial experience.
- 3.3 Audit Committee meetings shall also be attended by the external auditor, the head of any internal audit department and the finance director of the Company. The Committee may invite any outsiders to attend its meetings as it deems appropriate.
- 3.4 Other members of the Board have the right to attend meetings of the Audit Committee.

### 4. **PROCEDURE**

- 4.1 The Audit Committee shall meet not less than three times a year and at such other times as circumstances require. The external auditors may request a meeting if they consider it necessary.
- 4.2 The Audit Committee shall have discussions with the external auditors at least once a year without any executive Board members being present.

- 4.3 At least 21 days' notice of any meeting of the Audit Committee shall be given, although such notice period may be waived or shortened with the consent of all the members of the Audit Committee.
- 4.4 The minutes of the meeting of the Audit Committee shall be made available to all members of the Board and to the external auditors.
- 4.5 The Audit Committee Chairman shall be available at the Annual General Meeting to answer questions.

**Adopted by resolution of the Board on 26 April 2012**