



**RM plc**

**Audit Committee**

**Terms of Reference - November 2005**

References to “the Committee” shall mean the Audit Committee.

References to “the Board” shall mean the Board of Directors.

References to ‘the Company’ shall mean RM plc.

A. Membership

1. The Committee will be appointed by the Board and will comprise a Chairman and two other members each of whom shall be appointed by The Board.
2. All members of The Committee will be independent non-executive directors.
3. The Board shall appoint the Committee Chairman who shall be a non-executive director.

B. Secretary

1. The Company Secretary or their nominee will act as the Secretary of the Committee.

C. Meetings

1. The Committee shall meet formally at least twice a year.
2. A meeting of the Committee may be called by any member of the Committee or by the Secretary.
3. 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 no fewer than one working day prior to the meeting.
4. The quorum for the Committee meetings will be two. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by The Committee.
  5. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
  6. The Committee should meet with the internal and external auditors either together or with each separately, as deemed appropriate, at least once a year.
  7. The Committee or its Chairman shall meet with the Board of Directors at least once a year to discuss such matters as the annual report and the relationship with the external auditors.
  8. The Secretary shall keep appropriate records of all meetings of the Committee with appropriate minutes of the proceedings and resolutions.
  9. Copies of the minutes of the meetings shall be circulated to all members of the Committee and to the chairman of the Board; any director may upon request to the Secretary of the Committee, as long as there is no conflict of interests, obtain copies of The Committee's agenda and minutes.

D. Duties

The Committee shall:

1. Consider the appointment of external and internal auditors;
2. Review the relationship with external auditors; this includes the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities, discussion with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made *vis-à-vis* the Company's auditing standards;

3. Review the financial reporting and internal control procedures;
4. Review any reports released by the internal auditors;
5. Review the management of financial matters and focus upon the independence and objectivity of the external auditors as well as the freedom allowed to the internal auditors;
6. Review the consistency of accounting policies both on a year-to-year basis and across the group;
7. Review the annual financial statements of the pension funds where not reviewed by the board as a whole; and in the light of the above, the committee shall make whatever recommendations to the Board that it deems appropriate;
8. Give due consideration to the requirements of the Stock Exchange's Listing Rules and the Financial Reporting Council;
9. Be responsible for co-ordination of the internal and external auditors;
10. Ensure that the Head of Internal Audit (where not a member of the Committee) has the right of direct access to the Chairman of the Committee;
11. Ensure that the Chairman of the Committee (or his nominated deputy) attends the AGM prepared to respond to any shareholder questions on the Committee's report and activities.

E. Authority

The Committee shall:

1. Oversee any investigation of activities that are within its terms of reference and act as a court of the last resort;
2. Have the right to seek any necessary information to fulfill the above;
3. Have the right to obtain outside legal help and any professional advice, at the company's expense, which might be necessary for the fulfillment of its duties;
4. Have the power to call any member of staff to be questioned at a meeting of the Committee as and when required.

## **F. Form of Meetings**

Meetings of the Committee may take place either by physical attendance of the members of the Committee or by a conference call, email or any other method reasonably determined by the Chairman.