

Filta Group Holdings plc

Audit Committee Terms of Reference (March 2017)

The Audit Committee (“the Committee”) is a Committee of the Board of Directors of Filta Group Holdings plc (“the Board”), from which it derives its authority and to which it regularly reports. The following are the Terms of Reference for the Audit Committee:

1. Membership

1.1. The Audit Committee shall comprise at least two members. Members of the Committee shall be appointed by the board, on the recommendation of the Nomination Committee in consultation with the chairman of the Audit Committee.

1.2. A majority of the members of the Committee shall be independent Non-Executive Directors at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the accountancy bodies. The Chairman of the Board shall not be a member of the Committee.

1.3. Only members of the Committee have the right to attend Committee meetings. However, the external auditor and Finance Director will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

1.4. The Board should appoint the Committee Chairman. The Chairman of the Company shall not be eligible to be appointed as Chairman of the Committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

The Company Secretary or their nominee shall act as the secretary of the Committee and will ensure that that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

The quorum necessary for the transaction of business shall be two members.

4. Frequency of meetings

4.1. The Committee shall meet at least twice a year at appropriate intervals in the reporting and audit cycle and at such other times as the Chairman of the Committee shall require.

4.2. Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company’s governance, including the Board Chairman, the Chief Executive, the Finance Director, and the external audit lead partner.

5. Notice of Meetings

5.1. Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or by any its members directly, or at the request of the external audit lead partner if they consider it necessary.

5.2. 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, and any other person required to attend, no fewer than two working days prior to the date of the

meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, in advance of the meeting.

6. Minutes of Meetings

6.1. The Secretary or their nominee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

6.2. The minutes of meetings shall be circulated to all members and to nominated recipients as soon as practicable after the meeting.

7. Annual General Meeting

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

8. Responsibilities

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

8.1. Financial reporting

8.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.

8.1.2. As part of this monitoring, the Committee shall ensure compliance with all relevant legal, regulatory and statutory requirements for financial reporting.

8.1.3. In particular, the Committee shall review and challenge where necessary:

8.1.3.1. the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/Group;

8.1.3.2. the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.3.3. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

8.1.3.4. the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and

8.1.3.5. all material information presented with the financial statements, such as the strategic review and the corporate governance statements relating to the audit and to risk management.

8.1.4. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

8.2. Narrative reporting

Where requested by the Board, the Committee should review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy.

8.3. Internal controls and risk management

The Committee shall:

- 8.3.1.** keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- 8.3.2.** review any significant litigation and compliance issues involving the Group; and
- 8.3.3.** review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

8.4. Compliance, whistleblowing and fraud

The Committee shall:

- 8.4.1.** give due consideration to applicable laws, regulations and rules, including the AIM Rules and the requirements of the London Stock Exchange and the UK Listing Authority, as appropriate;
- 8.4.2.** review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.4.3.** review the Company's procedures for detecting fraud; and
- 8.4.4.** review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

8.5. Internal Audit

While the Company does not currently have an internal audit function, the Committee shall undertake annual assessment of whether such a function is needed.

8.6. External Audit

The Committee shall:

- 8.6.1.** consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor; and
- 8.6.2.** if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.6.3.** oversee the relationship with the external auditor including (but not limited to):
 - 8.6.3.1.** recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - 8.6.3.2.** approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.6.3.3.** assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship

with the auditor as a whole, including the provision of any non-audit services;

8.6.3.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

8.6.3.5. agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;

8.6.3.6. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

8.6.3.7. assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;

8.6.3.8. evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.

8.6.4. meet with the external auditor at least once a year without management being present to discuss the auditor's remit and any issues arising from the audit;

8.6.5. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and

8.6.6. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

8.6.6.1. a discussion of any major issues which arose during the audit;

8.6.6.2. key accounting and audit judgements;

8.6.6.3. levels of errors identified during the audit; and

8.6.6.4. the effectiveness of the audit process. The Committee shall also:

8.6.7. review any representation letter(s) requested by the external auditor before they are signed by management;

8.6.8. review the management letter and management's response to the auditor's findings and recommendations; and

8.6.9. develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance.

9. Reporting Responsibilities

9.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

9.1.1. the significant issues that it considered in relation to the financial statements and how these were addressed;

9.1.2. its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and

9.1.3. any other issues on which the Board has requested the Committee's opinion.

9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.3. The Committee shall compile a report on its activities to be included in the Company's Annual Report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process. The report to shareholders need not repeat information disclosed elsewhere in the Annual Report and Accounts, but could provide cross-references to that information.

9.4. In the compiling the reports referred to in 8.1 and 8.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern.

10. Authority

The Committee is authorised to:

10.1. Oversee any investigation of activities which are within its Terms of Reference;

10.2. seek any information it requires from any employee of the Company in order to perform its duties;

10.3. obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;

10.4. call any employee to be questioned at a meeting of the Committee as and when required;

10.5. have the right to publish in the Company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board; and

10.6. delegate any of its powers to one or more of its members, or the Secretary, if it deems this appropriate.

11. Evaluation

The Committee shall:

11.1. be provided with appropriate and timely training, both for new members and on an ongoing basis for all members;

11.2. If requested by the Board, arrange for a periodic review of its own performance; and

11.3. review its Terms of Reference at least annually, to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.