

# **Nestor Healthcare Group plc**

## **Audit Committee of the Board – Revised Terms of Reference adopted on 10<sup>th</sup> April 2008**

In this document, reference to “the Committee” shall mean the Audit Committee. Reference to “The Board” shall mean the Board of directors of Nestor Healthcare Group plc.

### **1. Membership and attendance**

- 1.1. The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, and shall consist of a Chairman and at least two other members. The Chairman is currently Roger Dye and its other members are Sir Andrew Foster and John Rennocks.
- 1.2. All members of The Committee shall be independent non-executive directors. The Chairman of the Board shall be a member of the Committee and shall be deemed as independent for the purposes of serving thereon. At least one member of the Committee should have recent relevant financial knowledge.
- 1.3. The Board, on the recommendation of the Nomination Committee, shall appoint the Committee’s Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- 1.4. The Company’s Chief Executive, Finance Director and any relevant senior members of the Company’s management may attend meetings of the Committee.
- 1.5. The Committee shall request a representative of the external auditors and any internal auditors to attend all meetings. The Committee, or the Chairman of the Committee, shall hold at least one meeting per annum, or part thereof, with the external auditor without management being present.

## **2. Secretary**

- 2.1. The Company Secretary or his/her nominee shall act as the Secretary of the Committee. The Secretary shall attend all meetings of the Committee.

## **3. Quorum**

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

## **4. Frequency of Meetings**

- 4.1. The Committee shall meet at least twice a year. In addition, the external auditors or any internal auditors may request additional meetings if they consider it necessary.
- 4.2. Meetings will be arranged to correspond with the publication of the Company's financial statements, allowing at least one whole working day prior to a Board Meeting where accounts or financial statements are to be approved.

## **5. Notice of Meetings**

- 5.1. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any member thereof.
- 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, any other person required to attend and all other non-executive directors, no fewer than 3 days prior to the date of the meeting.

## **6. Minutes of Meetings**

- 6.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2. The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3. Minutes of meetings of the Committee shall be circulated promptly to all members of the Committee and to the Chairman and all members of The Board.

## **7. Annual General Meeting**

- 7.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions relating to the Committee's activities.

## **8. Duties**

### **8.1. Internal Control and Risk Assessment**

- 8.1.1. The Committee shall keep under review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks.

### **8.2. Internal Audit**

- 8.2.1. The Committee shall consider applications for the post of and approve the appointment or removal of the internal auditors.
- 8.2.2. The Committee shall consider and approve the terms of reference of internal auditors, and shall review any planned programme of audits and the reason for any change or delay in the programme.
- 8.2.3. The Committee shall ensure that any internal audit function of the Company is adequately resourced and has appropriate standing within the Company.
- 8.2.4. The Committee shall review the management of financial matters and focus upon the freedom allowed to the internal auditors, if existent.
- 8.2.5. All members of the Committee shall receive promptly all reports on the Company produced by the internal auditors, if existent..
- 8.2.6. The internal auditors, if existent, shall be given the right of direct access to the Chairman of the Committee.

### **8.3. External Audit**

- 8.3.1. The Committee shall consider and make recommendations to the Board as regards the appointment and re-appointment of the Company's external auditors, and shall ensure that the audit partner within the appointed firm is rotated from time to time.
- 8.3.2. The Committee (or a representative thereof) shall meet with the external auditors at least twice each year, once at the planning stage, where the scope of the audit will be considered, and once

post audit at the reporting stage, and shall ensure that any auditor's management letters and management's responses are reviewed.

8.3.3. The Committee shall keep under review the relationship with external auditors including (but not limited to):

8.3.3.1. the independence and objectivity of the external auditors;

8.3.3.2. 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; and

8.3.3.3. discussions 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 internal auditing standards.

#### **8.4. Financial Statements**

8.4.1. The Committee shall keep under review the consistency of accounting policies both on a year-to-year basis and across the Company.

8.4.2. The Committee shall review and challenge where necessary the Company's financial statements taking into account:

8.4.2.1. the overall objective to present fair and accurate information on the Company's results and financial position;

8.4.2.2. compliance with current accounting policies and standards, changes to accounting policies and standards and any issues or financial effects arising therefrom;

8.4.2.3. decisions requiring a major element of judgement;

8.4.2.4. the extent to which the financial statements are affected by any unusual transactions;

8.4.2.5. the clarity of disclosures;

8.4.2.6. significant adjustments resulting from the audit;

8.4.2.7. the going concern assumption;

8.4.2.8. compliance with accounting standards;

8.4.2.9. compliance with UK Listing Authority and other legal requirements; and

8.4.3 The Committee shall review the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company.

## **8.5 Follow-Up and Instructions**

8.5.1 The Committee shall ensure that management takes account of all audit issues and responds to weaknesses and issues highlighted by both internal and external audit reports;

8.5.2 The Committee shall consider the findings of major internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where necessary).

## **8.6 Reporting Responsibilities**

8.6.1 The Committee or its Chairman shall meet formally with the Board at least twice a year to discuss such matters as the Annual Report and the relationship with the external auditors.

8.6.2 In the light of its other duties, the Committee shall make whatever recommendations to the Board it deems appropriate.

## **8.7 Other Matters**

8.7.1 The Committee shall give due consideration to the requirements of the UK Listing Authority's Listing Rules.

8.7.2 The Committee shall be responsible for co-ordination of internal and external auditors.

8.7.3 The Committee will review the company's procedures for handling allegations from whistleblowers.

8.7.4 The Committee shall oversee any investigation of activities, which are within its terms of reference and act as a court of the last resort.

8.7.5 The Committee shall, at least annually, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.

## **9 Authority**

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 9.2 to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference; and
- 9.3 to call any member of staff to be questioned at a meeting of the Committee as and when required.