

TOWN CENTRE SECURITIES PLC AUDIT COMMITTEE

TERMS OF REFERENCE

These terms of reference identify and formalise the roles, tasks and responsibilities of the Audit Committee (the **Committee**) of Town Centre Securities PLC (the **Company**) and the authority delegated to the Committee by the Board of Directors of the Company (the **Board**) to monitor the Company's financial reporting, internal control and assurance frameworks. References to the **Group** shall mean the Company and its subsidiaries.

1. MEMBERSHIP

- (a) The Committee shall be appointed by the Board and shall consist of a minimum of two independent non-executive directors.
- (b) At least one member of the Committee shall have competence in accounting and/or auditing and the Committee as a whole shall have competence relevant to the sector in which the Company operates. At least one member will have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- (c) Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend all or part of any meeting, as and when appropriate and necessary with the agreement of the Committee chairman.
- (d) The external Auditor and The Finance Director will be invited to attend all meetings of the Committee, unless agreed otherwise with the Committee Chair.
- (e) Appointments to the Committee shall be for a period of up to three years, which may be extended, provided the director still meets the criteria for membership of the Committee.
- (f) The Board shall appoint the chairman of the Committee. In the absence of the chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- (g) If a regular member is unable to act due to absence, illness or any other cause, the member or, failing him the chairman of the Committee may appoint another independent non-executive director of the Company to serve as an alternate member.
- (h) Where the business of the Committee meeting includes the review of actual or potential conflicts of interest of, and authorisations given by the Board or Committee to, members of the Committee, the affected member shall not participate in the review or in discussions or decisions of the Committee which relate to that member (and shall not be counted in the quorum of the meeting for the purpose of any such review, discussions or decisions).

2. SECRETARY

The Company Secretary or his or her nominee shall act as the secretary of the Committee (the **Secretary**).

3. QUORUM

The quorum necessary for the transaction of business shall be two independent non-executive directors.

The required directors meeting either in person or by telephone will constitute a quorum. 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

The Committee shall meet not less than two times a year at appropriate times in the reporting and audit cycle and at such other times as required.

5. NOTICE OF MEETINGS

- (a) Meetings of the Committee shall be convened by the Secretary at the request of any of its members or at the request of the Finance Director or at the request of the external Auditors if they consider it necessary.
- (b) 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 not less than two working days prior to the date of the meeting. Supporting papers shall be sent to members of the Committee, and to other attendees as appropriate, at the same time if practicable.
- (c) In the event of an equality of votes, the Committee Chair shall have a casting vote.

6. MINUTES OF MEETINGS

- (a) The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- (b) Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, the minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the chairman of the Committee.

7. ANNUAL GENERAL MEETING

The Committee chairman should attend the annual general meeting to respond to questions from shareholders on the Committee's activities.

8. DUTIES

(a) FINANCIAL REPORTING

- i. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall report to the Board on significant financial reporting issues and judgements within the Company's financial statements, having regard to matters communicated to it by the auditors. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- ii. In particular, the Committee shall review and challenge where necessary, taking into account the views of the external auditor:
 - the appropriateness, consistency of, and any changes to the accounting policies used in the preparation of the financial statements;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements;
 - the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the Company's financial reporting arrangement, the external audit and internal financial controls);

- the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company looking forward over an appropriate and justified period);
 - where requested by the Board, the Committee will provide advice on how, taking into account the company's position and principal risks, the prospects of the Company have been assessed, over what period and why the period is regarded as appropriate; and
 - any significant adjustments resulting from the audit.
- iii. 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.

(b) NARRATIVE REPORTING

Where requested by the Board, the Committee shall 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 position and performance, business model and strategy.

(c) ONGOING VIABILITY

The Committee shall also advise on whether, taking into account the Company's position and principal risks, there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary.

(d) INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Committee shall:

- i. keep under review the adequacy and effectiveness of the Company's internal controls and risk management systems relating to financial reporting;
- ii. consider the major findings of any internal investigations into control weaknesses, fraud or misconduct;
- iii. review and monitor management's responsiveness to addressing control weaknesses and non-compliance with laws, regulation and internal policies and other weaknesses identified by the External Auditor;
- iv. conduct a robust assessment of the principal risks facing the Company;
- v. monitor IT, information security (including cyber security), compliance, corporate security and similar areas of operational risk; and
- vi. review and approve the statements to be included in the annual report concerning internal controls and risk management relating to financial reporting.

(e) COMPLIANCE, WHISTLEBLOWING AND FRAUD

The Committee shall:

- i. review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible improprieties 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;
- ii. review the Company's procedures for detecting fraud;
- iii. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance, following up with the required actions when necessary;

(f) INTERNAL AUDIT

The Committee has determined that due to the size and relative simplicity of the business that an Internal Audit function is not necessary. However, the Committee will periodically review this decision and retains the ability to require the business to recruit or externally source Internal Audit resource.

(g) EXTERNAL AUDIT

The Committee shall:

- i. ensure that the Company complies with the requirements of the Competition and Markets Authority and the UK implementation of EU Regulation 537/2014 and Directive 2014/56/EU in respect of audit firm tendering and rotation. The Committee shall ensure that at least once every ten years the audit services contract is put out to tender, with a change of firm at least every twenty years, to comply with the regulatory requirements and to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms. In respect of such a tender the Committee shall oversee the process and ensure that it complies with all applicable regulatory and legal requirements (including the UK implementation of Article 16 of the EU Regulation) and that that all tendering firms have such access as is necessary to information and individuals during the tendering process;
 - ii. consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor and to approve the remuneration and terms of engagement of the external auditor;
 - iii. if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
 - iv. oversee the relationship with the external auditor including (but not limited to):
 - negotiating and agreeing for and on behalf of the Board the external auditor's remuneration, whether fees for audit or non-audit services, and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted so that the external auditor's independence and objectivity are safeguarded, noting that such fees for non-audit services will be subject to a cap of 70% of the annual audit fees in the last three consecutive financial years¹;
 - negotiating and agreeing for and on behalf of the Board the external auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - assessing annually the external auditor's independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 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) that could adversely affect the external auditor's independence or objectivity;
 - reviewing with the Board any proposal to employ former employees of the Company's auditor;
 - monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - 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 and review by the
-

Committee of any reviews of the auditor published by the Financial Reporting Council's Audit Quality Review;

- 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;
- v. meet the external auditor at least once a year, without management present, to discuss the auditor's remit and any issues arising from the audit;
- vi. review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - a discussion of any major issues which arose during the audit;
 - any accounting and audit judgements;
 - levels of errors identified during the audit;
 - the effectiveness of the audit; and
 - views on the general control environment.
- vii. review any representation letter(s) requested by the external auditor before they are signed by management;
- viii. review the management letter and management's response to the auditor's findings and recommendations; and

(h) CONFLICTS OF INTEREST

The Committee shall:

- i. in respect of each director, review any interests the director may have which conflict or may conflict with the interests of the Company;
- ii. make recommendations to the Board as to whether any such conflict should be authorised and, if so, as to the terms and conditions on which any such authorisation should be given by the Board; and
- iii. review on a bi-annual basis any authorisation given by the Board in order to determine whether the authorisation given should stand on the terms and conditions on which it has been given or whether additional terms and conditions should be imposed or whether the authorisation should be revoked (subject to giving the relevant director notice of the proposed revocation).
- iv. make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.

9. REPORTING RESPONSIBILITIES

- (a) The chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:
 - v. the significant issues that it considered in relation to the financial statements and how these were addressed;
 - vi. its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
 - vii. any other issues on which the Board has requested the Committee's opinion.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Committee shall produce a report on its activities to be included in the Company's annual report. The report should include:
 - i. details of the membership of the Committee, number of meetings held and attendance over the course of the year;

- ii. an explanation of how the Committee has addressed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted;
 - iii. where a competitive tender process has not been completed in a ten-year period for the appointment of an external auditor, ensure that the annual report disclosure contains an explanation of why such tender process was not deemed necessary and a confirmation of when the next tender will be;
 - iv. if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded;
 - v. the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed having regard to matters communicated to it by the auditor and in exercising such judgement it should at least consider those matters that have informed the Board's assessment of whether the Board is a going concern; and
 - vi. all other information requirements set out in the UK Corporate Governance Code.
- (d) The Committee shall include a description of the following information in the annual report with regards to approval of non-audit services:
- i. For each significant engagement of category of engagements, an explanation of the services provided and why the Committee concluded that it was in the best interests of the Company to purchase them from the external auditor; and
 - ii. The fees paid to the auditor and its network firms for non-audit services, including the ratio of audit to non-audit work.

10. OTHER MATTERS

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Group Company Secretary for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus, Disclosure and Transparency Rules, directors duties as listed in Chapter 2 of Part 10 of the Companies Act 2006 and any other applicable rules, as appropriate;
- (d) be responsible for co-ordination of the external auditors;
- (e) liaise with any other Board committee where necessary or required;
- (f) oversee any investigation of activities which are within its terms of reference; and
- (g) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. AUTHORITY

The Committee is authorised by the Board:

- (a) to seek any information it requires from any employee of the group in order to perform its duties;

- (b) to consult, at the Company's expense, such persons as it deems appropriate in the performance of its obligations, including to obtain outside legal or other professional advice on any matter it believes necessary to do so;
- (c) to call any employee to be questioned at a meeting of the Committee as and when required;
- (d) to 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
- (e) to sub-delegate any or all of its powers and authority and may establish sub-committees which are to report back to the Committee.

Version 1.1

20th June 2018

TOWN CENTRE SECURITIES PLC POLICY FOR THE PROVISION OF NON-AUDIT SERVICES BY THE EXTERNAL AUDITOR

1. BACKGROUND

The Audit Committee (the **Committee**) of Town Centre Securities PLC (the **Company**) is responsible for establishing a policy for the provision of non-audit services by the Company's external auditor to the Company and its Group (the **Policy**). References to the Group shall mean the Company and its subsidiaries and references to the **external auditor** shall also include any member of its network.

The Committee is responsible for approving non-audit services. This Policy specifies the types of non-audit services that are strictly prohibited and those that may be acceptable. For those non-audit services that may be acceptable, the effect of such non-audit services on the financial statements as well as the independence and objectivity of the external auditor will always be assessed by the Committee prior to being approved.

The Policy will be reviewed at least annually by the Audit Committee, and its application will be monitored.

2. NON-AUDIT SERVICES POLICY

- (a) The Committee requires that the following Policy be adhered to when considering whether it is appropriate for the external auditor to be appointed by the Company and in particular to undertake work outside of the scope of their usual and specific annual audit and half-yearly review activities.
- (b) The objective of the Policy is to:
 - at all times maintain external auditor independence and objectivity;
 - clearly set out both acceptable and prohibited non-audit services; and
 - establish a transparent process for the engagement of the external auditor for non-audit services in accordance with established approval requirements.
- (c) From 1 January 2020, fees related to non-audit services will be subject to a cap of 70% of the average of the annual audit fees in the last three consecutive financial years. Annual audit fees, which are subject to Committee approval, are fees for the services that the external auditor would normally be expected to provide as part of its annual external audit programme for the Group and which would, in the normal course of business, be included within its standard terms of engagement.

3. PROHIBITED NON-AUDIT SERVICES

The following non-audit services are prohibited by law from being provided to the Company and its Group by its external auditor, as they have the potential to impair, or appear to impair, the external auditor's independence:

- (a) accounting or book-keeping services;
- (b) actuarial services;
- (c) tax advisory, assurance and compliance services (including any calculations thereof);
- (d) internal accounting and risk management control reviews, including policy reviews and procedure compliance;

- (e) legal and/or litigation support services (other than forensic litigation services);
- (f) internal audit outsourcing services;
- (g) valuation services, appraisals or fairness opinions;
- (h) investment advice, broker-dealer and investment banking services;
- (i) design, implementation and operation of financial information systems (including financial IT systems);
- (j) design and implementation of internal controls related to financial information;
- (k) secondment (or appointment as advisor) to executive management or decision-making, supervisory or ongoing monitoring positions, or any position where the external auditor secondee (or in its capacity as advisor) acts as a director, officer or employee of the Group or any of its decision making entities;
- (l) human resources, recruitment or payroll services (including candidate verification);
- (m) the marketing or underwriting of transactions;
- (n) advising the Remuneration Committee (other than general assistance relating to appropriate levels of disclosures and accounting advice);
- (o) any work where a mutuality of interest is created that could compromise the independence of the external auditor; and
- (p) any other work that is prohibited by UK ethical guidance for auditors or any local law equivalents.

Furthermore, the Company's external auditor must not perform any work for a contingent fee or similar arrangement.

4. ACCEPTABLE NON-AUDIT SERVICES

- (a) The external auditor may be considered for the following types of non-audit services, subject to paragraph 4 b) below:
 - advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters and compliance/governance regulations;
 - financial due diligence for mergers/acquisitions, disposals or joint ventures;
 - assurance reports required by third parties (e.g. regulators, trustees);
 - services associated with registration statements, periodic reports and other documents issued in connection with securities offerings (e.g. comfort letters, agreed-upon procedure letters, and consents);
 - agreed upon procedures on specific elements drawn from the financial records and/or related supporting information;
 - transaction related services, including restructuring;
 - secondment into non-managerial roles; and
 - benchmarking services.

- (b) The determination as to whether the external auditor may perform any of the non-audit services listed in paragraph 4 a) above, requires the application of judgement, which includes assessing:
- threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the external auditor's independence and objectivity;
 - the nature of the non-audit services;
 - whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service; and
 - the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the Group audit fee.

5. AUTHORISATION AND REPORTING

- (a) Provided that the Finance Director has applied judgement in accordance with paragraph 4 b) above and concludes that the external auditor is best placed for the provision of a non-audit service listed in paragraph 4 a) above and there are no threats to the external auditor's independence or objectivity, Committee pre-approval is not required for:
- advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters and governance regulations, with a fee up to £5,000;
 - financial due diligence for acquisitions, disposals or joint ventures, with a fee up to £5,000; and
 - transaction related services, including restructuring, with a fee up to £5,000.
- (b) All other acceptable non-audit services not included in paragraph 5 a) above, must be approved in advance by the Committee following recommendation by the Group Chief Financial Officer.
- (c) Referrals to the Committee in accordance with paragraph 5 b) above must be in writing and must contain the following information:
- nature and details of the non-audit services;
 - estimated fees;
 - explanation of why the external auditor is considered the most suitable supplier; and
 - a statement on why the engagement will not impair the external auditor's independence and objectivity.
- (d) A report is to be submitted by the Finance Director, or such other person as may be appointed by the Committee, detailing all of the work undertaken by the external auditor with such regularity and covering such time period as the Committee may request from time to time. The report should include the nature of the non-audit services provided, the related fee and total fees in aggregate and as a percentage of the approved audit fee.
- (e) The Committee will report on the annual amount paid to the external auditor in the Company's Annual Report in respect of audit services, audit-related services and non-audit

services and explain how, when the external auditor provided non-audit services, its independence and objectivity was safeguarded. The Committee will also report in the Company's Annual Report on the nature and extent of the non-audit services carried out by the external auditor during the year.