

OFFICE2OFFICE PLC
AUDIT COMMITTEE
TERMS OF REFERENCE



Membership

Members of the Audit Committee (the 'Committee') shall be appointed by the Board on the recommendation of the Nomination Committee. There will be a minimum of two non-executive Directors. In addition, the Chairman of the Board may be a member of, but not chair, the Committee, provided he was considered independent upon appointment. All members shall have financial literacy and at least one member shall have recent and relevant financial experience.

The members are currently: Chris Batterham (Chairman of the Committee)
Jim Cohen
David Callear

Other Directors, senior management or external advisors may be requested to attend meetings by prior arrangement.

Proceedings

The quorum will be two members. The Committee shall meet formally, in person, twice a year and at such other times as required, by telephone if necessary. Any member of the Committee or the external auditors may request that a meeting is convened. The Company Secretary will act as Secretary to the Committee and minute the proceedings. An agenda and any supporting papers will be forwarded in advance. Minutes of the meetings will be circulated promptly to the Committee and the Board.

Duties

Having due regard to the accounting, legal and other regulatory requirements including, GAAP, the UK Corporate Governance Code and the UKLA's Listing Rules, the Committee shall be required to:

Internal control and risk management

- keep under review the effectiveness of the Company's financial reporting, its system of internal controls (covering financial, operational and compliance controls) and, unless addressed by a separate risk committee or the Board itself, the risk management systems, including a formal annual review of them to ensure they support the Group's longer term strategy and objectives;

Internal auditors

- consider annually whether there is a need for an internal audit function and, if required, oversee the selection process and approve the appointment of an internal auditor, ensuring he/she has direct access to the Audit Committee Chairman;
- ensure the internal audit function is adequately resourced, remains sufficiently independent and objective, and continues to have appropriate standing within the Company;
- review and assess the internal audit plan, all reports from the internal auditors and any significant findings or deficiencies and, subsequently, review and monitor management's responsiveness to these findings and recommendations;
- monitor the effectiveness of the internal audit function in the context of the Company's overall risk management system;

Whistleblowing

- review the effectiveness of arrangements by which employees may, in confidence, raise concerns about possible improprieties relating to financial or other matters together with the arrangements for independent investigation and follow up action;

External Audit / Auditors

- recommend to the Board, for annual shareholder approval, the appointment or re-appointment of the external auditors, overseeing the selection process for new auditors and, if an auditor resigns, investigating the issues leading to this;
- meet with the external auditors at least twice each year, once at the planning stage prior to the audit and once post audit at the reporting stage;
- keep under review the relationship with external auditors, assessing their expertise, effectiveness, independence and objectivity;
- approve the auditors' terms of engagement, including scope and fees. Where non-audit work is to be undertaken, ensure that rigorous checks have been made to confirm the auditors are the best provider and the work, or additional fees paid, do not impair their independence;
- develop and implement policy on the requirement of non-audit services and explain in the annual report how objectivity and independence is safeguarded if the external auditor undertakes this;
- review the results of the audit and discuss with the external auditors any major issues, compliance matters, accounting or audit judgements and the level of errors identified;
- at least once a year discuss, in the absence of the executive Directors, any problems or reservations that the external auditors may have arising from their audits or otherwise;

Financial reporting

- keep under review the consistency of accounting policies both on a year to year basis and across the Group, and the appropriateness of any changes;
- review the annual and interim reports together with the respective financial statements before their submission to the Board, ensuring that they follow generally accepted accounting principles and give a fair and meaningful account of the Company's and its subsidiary undertakings' affairs;
- within this review, focus on major judgemental areas, the impact of any unusual transactions, the 'going concern' assumption, and compliance with accounting standards;
- review matters raised by the external auditors, including those with regards to the accounts, the audit or control procedures, and if necessary bring to the attention of the Board;
- monitor the integrity of any formal announcements on the Company's financial performance.

Reporting responsibilities

The Committee will make whatever recommendations to the Board it deems appropriate and meet formally with the Board at once a year to discuss such matters as the Annual Report and the relationship with the external auditors.

The Committee's chairman will attend each AGM of the Company to answer any question on the Committee's activities.

Other matters

The Committee will oversee any investigation of activities which are within the Committee's scope of duties. Where appropriate, particularly when the Company is engaged in new activities or if the Finance Director is new to the role, the Committee shall support and mentor the finance team.

At least annually, the Committee will review and evaluate its own performance, constitution & terms of reference. The terms of reference should be made available and a section included in the annual report describing the work of the Committee in discharging its duties.

Authority

The Committee is authorised by the Board to seek any information it requires from any employee, consultant or other provider of services to the Company, taking care to recognise and avoid any conflicts of interest, and obtain, at the cost of the Company, such outside legal or independent professional advice considered appropriate, in order to perform its duties.