



# **Progressive Digital Media Group plc**

**Terms of reference for the Audit Committee**

**Progressive Digital Media Group plc (the "Company")**

**Terms of reference for the Audit Committee**

**1. Constitution**

The Committee shall be established by resolution of the Board and shall be known as the Audit Committee (the "**Committee**").

**2. Membership**

- 2.1 The members of the Committee shall be appointed by the Board in consultation with the Chairman of the Committee from amongst the directors of the Company (the "**Directors**") and shall comprise not less than two members. All of the members of the Committee shall be independent non-executive Directors.
- 2.2 At least one member of the Committee should have recent and relevant financial knowledge.
- 2.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director still meets the criteria for membership of the Committee.
- 2.4 The Chairman of the Committee, who shall be an independent non-executive Director, shall be appointed by the Board which shall determine the period for which he/she shall hold office.
- 2.5 A quorum for decisions of the Committee shall be two members.
- 2.6 In order to fulfil the Committee's overall purpose the members of the Committee should:
- (a) have no personal financial interest, other than as shareholders in the Company (if applicable), in the Committee's decisions;
  - (b) have no "cross-directorships" with the executive Directors which could be thought to offer scope for mutual agreements to bid up or otherwise enhance each other's remuneration;
  - (c) be independent of the Company's management and free from any business or other relationship with the Company or any member of the Company's group which could materially interfere with the exercise of their independent judgement; and
  - (d) have a good understanding, enhanced as necessary by appropriate training or access to expert advice, of the ambit of the Committee's business.

**3. Attendance at meetings**

- 3.1 The Chairman of the Board, the Chief Executive and Finance Director of the Company and a representative of the external auditors of the Company (the "**Company's Auditors**") may, if invited by the Chairman of the Committee, attend and speak at meetings of the Committee (or parts thereof). Other Board members shall also, if invited by the Chairman of the Committee, have the right of attendance.
- 3.2 At least once each year, representatives of the Company's Auditors shall meet the Committee without any executive Directors being present, except by invitation of the Committee.
- 3.3 The Committee may at each meeting appoint one of their number to be the Secretary of the Committee.

**4. Frequency of meetings**

- 4.1 Meetings shall be held twice a year. The Company's Auditors and any member of the Committee may request a meeting if they consider that one is necessary.
- 4.2 At least seven days' notice of any meeting of the Committee shall be given, although such notice may be waived or shortened with the consent of all the members of the Committee for the time being.

**5. Authority**

- 5.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and call any employee to be questioned at a meeting of the Committee as and when required and all employees are directed to co operate with any request made by the Committee.
- 5.2 The Committee is authorised by the Board to obtain, at the cost of the Company, outside professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

**6. Duties**

- 6.1 The duties of the Committee shall be (and such duties shall be carried out for the major subsidiary undertakings and the group as a whole, as appropriate):
- (a) to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the Company's Auditors and to approve the remuneration and terms of engagement of the Company's Auditors;

- (b) to discuss with the Company's Auditors before the audit commences the nature and scope of the audit, and other relevant matters and ensure co-ordination where more than one audit firm is involved,;
- (c) to meet the Company's Auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- (d) to review and monitor:
  - (i) the independence and objectivity of the Company's Auditors (including the provision of non-audit services and satisfying itself that there are no relationships (such as family, employment, investment financial or business) between the Company's Auditors and the Company (other than in the ordinary course of business));
  - (ii) the effectiveness of the audit process; and
  - (iii) (unless done by the Board as a whole) and approve the statements to be included in the annual report concerning internal controls and risk management,  
taking into consideration relevant professional and regulatory requirements;
- (e) to monitor in discussion with the Company's Auditors the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting issues and judgements contained in them and in particular to review the half year and annual financial statements before submission to the Board, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption;
  - (v) compliance with accounting standards;
  - (vi) compliance with stock exchange and legal requirements;
  - (vii) the extent to which the financial statements are affected by any unusual transaction;
  - (viii) any statements of a price sensitive nature;

- (f) to discuss problems and reservations arising from the audit, and any matters the Company's Auditors may wish to discuss (in the absence of management where necessary);
- (g) to review the Company's Auditors' management letter and management's response;
- (h) to agreeing with the Board a policy on the employment of former employees of the Company's Auditor, then monitoring the implementation of this policy,
- (i) to monitor 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
- (j) to assess annually the Company's Auditors qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the Company's Auditor on their own internal quality procedures;
- (k) to review the Company's internal financial controls and the Company's internal control and risk management systems;
- (l) to review the Company's statement on internal control systems prior to endorsement by the Board;
- (m) to monitor and review the effectiveness of any internal audit function, ensure co-ordination between the internal and external auditors and ensure that it is adequately resourced and has appropriate standing within the Company (and where there is no internal audit function, consider annually whether there is a need for an internal audit function and make a recommendation to the Board);
- (n) to develop and implement policy on the engagement of the Company's Auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the Company's Auditors; and to report to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (o) to review (A) arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action; and (B) the Company's procedures for detecting fraud;
- (p) to consider the major findings of the Company's Auditors, or any internal investigations and management's response; and

(q) to consider other topics referred to the Committee by the Board.

## **7. Procedures**

- 7.1 The Secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board and to the Company's Auditors. The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.
- 7.2 The Chairman of the Committee shall be available at the Annual General Meeting of the Company to respond to any shareholder questions on the activities and responsibilities of the Committee.
- 7.3 The Committee shall conduct an annual review of its work and these terms of reference and shall make recommendations about this to the Board.
- 7.4 Members of the Committee shall 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.

## **8. Other matters**

The Committee shall:

- 8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.2 give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate;
- 8.3 be responsible for co-ordination of the internal and external auditors;
- 8.4 oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort.