

Adam Securities Limited

Audit Committee Terms of Reference

Purpose

The Audit Committee is responsible for assisting the Board in discharging its responsibilities for monitoring the integrity of the Company's financial statements and the effectiveness of the systems of internal controls and to monitor the effectiveness, performance and objectivity of the internal and external auditors.

Membership

The members, including the chairman of the Committee, shall be appointed by the Board on the recommendation of the Nomination Committee. Members shall be appointed in consultation with the Chairman of the Audit Committee.

The Committee shall consist of not less than three members. Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years.

Quorum and meeting proceedings

A quorum of the Committee shall be three members.

In the absence of the Committee chairman, the remaining members present shall elect one of themselves to chair the meeting.

Attendance at meetings

Only Committee members have the right to attend Committee meetings. The Chief Executive, the Chief Financial Officer, the Chief Audit Officer, the Chief Accounting Officer and a Head of Internal Auditor will normally be invited to attend Committee meetings.

Other Board members may attend any meeting of the Committee and members of Management and any advisers appointed by the Committee shall attend, if invited by the Committee.

Frequency of Meetings

Meetings shall be held not less than four times each year and at such other times as required.

The Chief Executive Officer, the Head of Internal Audit, the chairman of the Committee or two members of the Committee may request a meeting if any of them consider that one is necessary.

Minutes of Meetings

The secretary of the Committee shall ensure that a formal record of Committee proceedings and resolutions is maintained.

Authority

The Committee is authorized by the Board to:

- i. Investigate, or cause to be investigated, any activity within its terms of reference;
- ii. Seek any information that it requires from any employee of the Company in order to perform its duties and require all employees to co-operate with any request made by the Committee;
- iii. Meet for dispatch of its business, adjourn and otherwise regulate its business as it shall see fit, including approving items of business by the written resolution;
- iv. Delegate any of its duties as is appropriate to such persons or person as it thinks fit.

Duties

The duties of the Committee, which will be carried out in relation to the Company shall be to:

- i. Consider the appointment, re-appointment, dismissal or resignation of the auditor and to directly oversee the process for selecting the external auditor and to make appropriate recommendations, through the Board, to shareholders to consider at the Annual General Meeting concerning the re-appointment of the auditor;
- ii. Assess, and keep under review, the independence and objectivity of the external auditor, approve and monitor the application of the External Auditor Business Standards.

- iii. Approve the external auditor's engagement letter and any amendments thereto, and recommend the external audit fee to the Board;
- iv. Discuss with the external auditor the nature, scope and effectiveness of the annual audit process and regulatory requirements, and review the external auditor's quality control procedures and the steps taken by the external auditor to respond to changes in regulatory and other requirements;
- v. Review the external auditor's control themes and observations report and Management's response thereto;
- vi. Review the annual Internal Audit Plan and the effectiveness of the internal audit function, and ensure that it is adequately resourced and has appropriate standing within the Company;
- vii. Consider Management's response to any material recommendations made by the external auditor or by the Head of Internal Auditor;
- viii. Approve the appointment or dismissal of the Head of Internal Auditor and to participate jointly with the Chief Financial Officer in the determination of the objectives of the Head of Internal Auditor and the evaluation of his levels of achievement;
- ix. Review and assess the adequacy and effectiveness of the Company's systems for internal control, including financial reporting and financial controls;
- x. Review the actions and judgments of Management, in relation to the interim, quarterly and annual financial statements, and any formal announcements relating to the Company's financial performance;
- xi. After completing its review of the financial statements, regulatory financial returns and announcements the Committee shall make a recommendation to the Board regarding their approval;
- xii. Where requested by the Board, provide advice to the Board as a whole on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- xiii. Note any significant pending legal actions against company;
- xiv. Approve Group policies as determined by the Board from time to time, and any material changes thereto;
- xv. Receive and review, at least semi-annually, reports on compliance;

- xvi. Approve the standard terms of reference for the audit committees Company and any material deviations from it, receive and review a summary of material issues transacted at those committees and where appropriate the minutes of them and receive and review reports on any other material matters referred by the Chairs of these committees;
- xvii. Be available to advise the Board, or the Chairman of the Board, on any questions relating to the financial affairs of the Company on which advice might be sought;
- xviii. Approve the appointment of members of Committees; and
- xix. Consider other topics, as referred to it from time to time by the Board.

Reporting Procedures

The chairman of the Committee shall report to the Board at regular intervals on the matters it has reviewed, making recommendations when requested or when he considers appropriate. The Committee members shall undertake a review of the Committee's performance and these terms of reference annually and, if necessary, make recommendations to the Board for approval.

The chairman of the Committee shall attend the Annual General Meeting and shall answer questions, through the Chairman of the Board, on the Committee's activities and responsibilities.