

# **French Connection Group plc**

## **Terms of reference for the Audit Committee**

**Adopted 7 October 2009**

### **Membership**

The members of the Committee shall be at least two non-executive directors. The majority of members will be independent of management and free of any business or other relationship (including, without limitation, cross-directorships or day to day involvement in the management of the business) which could interfere with the exercise of their independent judgement.

The Chairman of the Committee shall be appointed by the board.

The quorum of the Committee shall be two members.

### **Secretary**

The secretary of the Company shall be the secretary of the Committee.

### **Attendance**

The Group Finance Director, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. Other board members shall also have the right of attendance.

At least once a year the Committee shall meet the external auditors without executive directors present.

### **Frequency of meetings**

Meetings shall be held not less than three times a year. The external auditors may request a meeting if they consider that one is necessary.

### **Authority**

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 all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### **Duties**

The duties of the Committee shall be to:

- consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal of the external auditors;

- discuss and agree with the external auditor before the audit commences the nature and scope of the audit;
- review from time to time the cost effectiveness of the audit and the independence and objectivity of the external auditor;
- review the submission to the board in relation to any audited accounts, focusing particularly on:
  - any changes in accounting policies and practice;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - compliance with accounting standards (and in particular accounting standards adopted in the financial year for the first time);
  - compliance with Stock Exchange and legal requirements;
- discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- review the external auditor's management letter and management's response;
- review, on behalf of the board, the group's system of internal control (including financial, operational compliance and risk management) and make recommendations to the board;
- review the proposed statement on the directors' review of the group's system of internal control (including financial, operational compliance and risk management) prior to endorsement by the board;
- review from time to time the need for an internal audit function and, where such a function exists, review the internal audit programme, ensure co-ordination between the internal and external auditors and ensure that the internal audit function has adequate resources and maintains an appropriate standing within the group;
- consider the major findings of internal investigations and management's response;
- review the group's operating, financial and accounting policies and practices;
- consider other matters as defined by the board;
- report on all of the above matters to the board.

## **Minutes**

The minutes of meetings of the Committee shall be circulated to all members of the board.