

Fulcrum Pharma plc

Finance and Administration Document



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SUBJECT:

Terms of reference for the Audit Committee

Purpose:

To document the terms of reference for the Audit Committee

Terms of Reference

1. Membership

- The Committee shall consist of three Non-executive Directors. A quorum shall be two members.
- The chairman of the Committee shall have suitable financial experience
- The members of the Committee shall be re-elected each year by the Board and a member of the Committee can be removed by the Board at any time.

2. Attendance at meetings

- A representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet the external auditors without other Board members present.
- The Company Secretary shall be the Secretary to the Committee.

3. Frequency of meetings

- Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.
- A meeting may also be requested by any member of the Committee who considers that one is necessary and by any member of the Board if approval is given by the Chairman of the Board.

4. 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.

5. Duties

The duties of the Committee shall be:

- to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the auditors;
- to discuss with the external auditors before the audit commences the nature and scope of the audit, and to ensure co-ordination where more than one audit firm is involved;
- to review the half year and annual financial statements before submission to the Board, focusing particularly on:
 - any major changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - compliance with accounting standards;
 - compliance with stock exchange and legal requirements;
 - any matter which ought to be brought to the attention of the Board.
- to discuss problems and reservations arising from the audit and any matter the auditors may wish to discuss (in the absence of Management where necessary);
- to review the external auditors' management letter or list of audit differences and Management's response;
- to review the Company's statement on internal control systems;
- to review any report by the auditors of their review of the directors' Corporate Governance Statement
- to approve, prior to endorsement by the Board, any review of the operations and finance of the Company and its subsidiary undertakings to be published in the annual report.