

**BEST OF THE BEST PLC**  
**(the “Company”)**

**AUDIT COMMITTEE TERMS OF REFERENCE**

**1. Constitution**

The Audit Committee (the “**Committee**”) was constituted at a full meeting of the board of directors (the “**Board**”) held on 8 August 2006 in accordance with the articles of association of the Company.

**2. Duties and Terms of Reference**

2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary result announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

2.2 The Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) the clarity of disclosure in the Company’s financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the business review and any corporate governance statement (insofar as it relates to the audit and risk management).

2.3 The Committee shall:

- (a) keep under review the effectiveness of the Company’s internal controls and risk management systems; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.

2.4 The Committee shall review:

2.4.1 the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

2.4.2 review the Company's procedures for detecting fraud.

2.5 The Committee shall:

- (a) regularly assess the need for an internal audit function, and where it determines that an internal audit function is required within the Company oversee the establishment of that function;
- (b) if an internal audit function is established, monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (c) approve the appointment and removal of the head of the internal audit function;
- (d) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (e) review and assess the annual internal audit plan;
- (f) review promptly all reports on the Company from the internal auditors;
- (g) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (h) meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the board of directors and to the Committee.

2.6 The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) oversee the relationship with the external auditor including (but not limited to):

- (i) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
  - (v) agreeing with the board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
  - (vi) monitoring 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; and
  - (vii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
- 2.7 Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 2.8 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- 2.9 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit,
  - (b) any accounting and audit judgements, and
  - (c) levels of errors identified during the audit.
- 2.10 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 2.11 Review the management letter and management's response to the auditor's findings and recommendations.

- 2.12 Develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.
- 2.13 The Committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 2.14 The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 2.15 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.
- 2.16 The Committee shall:
- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
  - (b) 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;
  - (c) give due consideration to applicable laws and regulations, the provisions of the Combined Code, the QCA Corporate Governance Guidelines for AIM companies and the requirements of the London Stock Exchange's rules for AIM companies as appropriate;
  - (d) be responsible for co-ordination of the internal and external auditors;
  - (e) oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
  - (f) at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.
- 2.17 To consider such other matters as may be requested by the Board

### **3. Membership**

- 3.1 The members of the Committee shall be appointed by the Board. The Committee shall have at least two members. All of the members of the Committee shall be non-executive directors.
- 3.2 A quorum shall be any two members of the Committee. The members of the Committee can be varied at any time by the Board.
- 3.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further periods.

- 3.4 The Board shall appoint the Committee chairman who shall be an independent non-executive director (as so determined by the Board).

#### **4. Voting Arrangements**

- 4.1 Each member of the Committee shall have one vote that may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 4.3 Save where he has a personal interest, the Chairman will have a casting vote.

#### **5. Attendance at Meetings**

- 5.1 The Committee will meet at least three times a year. The Committee may meet at other times during the year as agreed between the members of the Committee.
- 5.2 Executive directors, including the finance director, may be invited to attend all or part of any meeting as and when appropriate.
- 5.3 The Company's external auditors may be required to attend Committee meetings as and when necessary.

#### **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be summoned by the company secretary at the request of any of its members or at the request of the external or internal auditors if they consider if necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than four working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee (as appropriate) at the same time.

#### **7. Authority**

The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, professional advice on any matter within its terms of reference. The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

**8. Reporting**

- 8.1 Draft minutes of each meeting will be approved by the chairman of the Committee and circulated to all members of the Committee. The chairman of the Committee will report to the Board on the proceedings of the Committee at the Board meeting next following a meeting of the Committee.
- 8.2 The chairman of the Committee should make himself available at each Annual General Meeting of the Company to answer questions concerning the Committee's work during the preceding year.
- 8.3 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

September 2009

**BEST OF THE BEST PLC  
(the “Company”)**

**REMUNERATION COMMITTEE TERMS OF REFERENCE**

**1. Constitution**

The Remuneration Committee (the “**Committee**”) was constituted at a full meeting of the board of directors held on 8 August 2006 in accordance with the articles of association of the Company.

**2. Duties and Terms of Reference**

- 2.1 The Committee shall determine and agree with the Company’s Board of Directors (the “**Board**”) the framework or broad policy for the remuneration of the Company’s Chief Executive, Chairman, the executive directors, the company secretary (if employed by the Company) and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the board. No director or manager of the Company shall be involved in any decisions as to their own remuneration;
- 2.2 In determining such policy, the Committee shall take into account all factors that it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- 2.3 The Committee shall review the ongoing appropriateness and relevance of the remuneration policy;
- 2.4 The Committee shall approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- 2.5 The Committee shall review the design of all share incentive plans for approval by the board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used;
- 2.6 The Committee shall determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;

- 2.7 The Committee shall ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 2.8 Within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, the Committee shall determine the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards;
- 2.9 In determining such packages and arrangements, the Committee shall give due regard to any relevant legal requirements, the provisions and recommendations in the Combined Code and the QCA Corporate Governance Guidelines for AIM companies and the London Stock Exchange's rules for AIM companies and associated guidance;
- 2.10 The Committee shall:
- (a) review and note annually the remuneration trends across the Company or group;
  - (b) oversee any major changes in employee benefits structures throughout the Company;
  - (c) agree the policy for authorising claims for expenses from the Chief Executive and Chairman;
- 2.11 The Committee shall ensure that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code are fulfilled;
- 2.12 The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee: and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations; and
- 2.13 The Committee shall consider such other matters as may be requested by the board of directors.

### **3. Membership**

- 3.1 The members of the Committee shall be appointed by the board of directors. All of the members of the Committee shall be independent non-executive directors (as determined by the Board). Appointments to the Committee shall be for periods of up to three years, which may be extended for two further three-year periods provided the director remains independent.
- 3.2 The Committee shall have at least two members.
- 3.3 At the date of formation of the Committee, it has been agreed that the members of the Committee will be Michael Hindmarch and Colin Hargrave and the Committee shall be chaired by Michael Hindmarch. A quorum shall be any two members of the Committee. The



members of the Committee can be varied at any time by a majority resolution of the Board save that any additional appointment must still be an independent non-executive director (as determined by the Board).

#### **4. Voting Arrangements**

- 4.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 4.3 Save where he has a personal interest, the Chairman will have a casting vote.

#### **5. Attendance at Meetings**

- 5.1 The Committee will meet at least two times a year. The Committee may meet at other times during the year as agreed between the members of the Committee or as requested by the Chairman of the Committee.
- 5.2 Other directors and external advisers may be invited to attend all or part of any meeting as and when appropriate.

#### **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be summoned by the company secretary at the request of any of its members.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than four working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee (as appropriate) at the same time.

#### **7. Authority**

The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to obtain, at the Company's expense, professional advice on any matter within its terms of reference. The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

**8. Reporting**

- 8.1 Draft minutes of each meeting will be approved by the chairman of the Committee and circulated to all members of the Committee. The chairman of the Committee will report to the Board on the proceedings of the Committee at the Board meeting next following a meeting of the Committee.
- 8.2 The chairman of the Committee should make himself available at each Annual General Meeting of the Company to answer questions concerning the Committee's work during the preceding year.
- 8.3 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

September 2009