

PHSC

(the "Company")

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

In these Terms of Reference unless the context requires otherwise:-

The "**Committee**" shall mean the Audit Committee

The "**Board**" shall mean the Board of Directors of the Company;

The "**Committee Chairman**" shall mean the Chairman of the Committee; and

The "**Committee Secretary**" shall mean the Company Secretary or their nominee, acting as the secretary of the Committee.

1. Membership

1.1. The Committee shall be appointed by the Board from the directors of the Company and shall comprise the Committee Chairman and at least one other member.

1.2. All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Committee as a whole should have competence relevant to the sector in which the Company operates.

1.3. The Board shall appoint the Committee Chairman.

1.4. Generally, only the members of the Committee have the right to attend Committee meetings. However other individuals such as the Group Chief Executive, other directors, and any relevant senior management, such as the Group Accountant, shall attend meetings by invitation of the Committee, for all or part of any meeting, as and when appropriate.

1.5. The Committee may ask a representative of the external auditors to attend meetings of the Committee on a regular basis.

1.6. Members of the Committee shall be named in the annual report and accounts of the Company.

1.7. Only members of the Committee are entitled to vote at meetings of the Committee.

1.8. 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, provided the director still meets the criteria for membership of the Committee.

1.9. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

The Company Secretary shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of Meetings

4.1. The Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and at such other times as the Committee shall require.

4.2. Meetings will be arranged to tie in with the publication of the Company's full and half-yearly financial statements.

5. Notice of Meetings

5.1. Meetings of the Committee shall be convened by the Committee Secretary at the request of any of its members or at the request of external or [internal auditors] if they consider it necessary.

5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no fewer than 5 working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. Minutes of Meetings

6.1. The Committee Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

6.2. The Committee Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.3. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and once approved all members of the Board.

7. Annual General Meeting

The Committee Chairman shall attend each annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

The committee should carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1. Financial Reporting

- 8.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- 8.1.2. The Committee shall keep under review the consistency of accounting policies and practices both on a year-to-year basis and across the Group.
- 8.1.3. The Committee shall review and challenge where necessary the Company's financial statements before submission to the Board taking into account:
 - (a) Decisions requiring a major element of judgement;
 - (b) The extent to which the financial statements are affected by significant or unusual transactions;
 - (c) The clarity and completeness of disclosures and the content in which statements are made;
 - (d) Significant adjustments resulting from the audit;
 - (e) The going concern assumption;
 - (f) Compliance with accounting standards;
 - (g) Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (h) All material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
 - (i) Compliance with stock exchange and relevant legal requirements; and

- (j) Reviewing the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company.

8.2 Narrative Reporting

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

8.1. Internal Controls and Risk Management Systems

In order to assist the Board in discharging its duty to ensure that the financial statements presented by the Company to its shareholders conform with all legal requirements and that the Company and its subsidiaries' financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks are adequate, the Committee shall keep such matters under review and shall from time to time make appropriate recommendations to the Board. The Committee shall also consider the major findings of internal investigations and the response of management thereto and review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.1. Compliance, whistleblowing and fraud

The committee shall:

- 8.1.1. Review the adequacy and security of the Company's arrangements for its employees and contractors 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
- 8.1.2. Review the Company's procedures for detecting fraud
- 8.1.3. Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance

8.1. Internal Audit

The Company does not currently have an internal audit function. The decision on whether or not to set up an internal audit function will be made by the Board, on the recommendation of the

Committee, based on the growth of the Company, the scale, diversity and complexity of the Company's activities and the number of employees, as well as cost/benefit considerations. If the Board recommends the appointment of an internal audit function:

- 8.1.1. The Committee shall monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 8.1.2. The Committee shall consider applications for the post of an approve the appointment of the head of the internal audit function; any dismissal of the post holder should be considered by the Committee;
- 8.1.3. The Committee shall consider and approve the terms of reference of the internal audit function, and shall be advised of the planned programme of audits and the reason for any change or delay in the programme;
- 8.1.4. Review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 8.1.5. 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 and to the committee
- 8.1.6. The Committee shall review the management of financial matters and focus upon the freedom allowed to the internal auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and
- 8.1.7. The Committee shall review promptly all reports on the Company from the internal auditors.

8.1. External Audit

- 8.1.1. The Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at each annual general meeting of the Company, as regards the appointment and re-appointment of the Company's external auditors, as well as any questions relating to their resignation or removal, and shall ensure that key partners within the appointed firm are rotated from time to time. 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.
- 8.1.2. The committee shall oversee the relationship with the external auditor including (but not limited to):
 - (a) 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;

- (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit, the nature and scope of each audit, and, where more than one firm of auditors is used, ensuring co-ordination between them;
- (c) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and Company (other than in the ordinary course of business);
- (d) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
- (e) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements, taking into account relevant ethical guidance regarding the provision by auditors of the same; and
- (f) 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

8.1.3. Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

8.1.4. The Committee shall meet the external auditors at least once a year, without management being present, and shall review the findings of the audit with the external auditor. This shall include but not be limited to discussing any major issues resulting from the audit, the effectiveness of the audit, accounting and audit judgements and level of errors identified during the audit.

The committee shall also:

8.1.5. review any representation letter(s) requested by the external auditor before they are signed by management;

8.1.6. review the management letter and management's response to the auditor's findings and recommendations

8.1.7. 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.

9. Reporting Responsibilities

- 9.1. The Committee or the Committee Chairman shall meet formally with the Board at least once a year to discuss such matters as the annual report and the relationship with the external auditors.
- 9.1. In the light of its other duties, the Committee shall make whatever recommendations to the Board it deems appropriate and shall compile a report to shareholders to be included in the Company's annual report and accounts.

10. Other Matters

- 10.1. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- 10.1. The Committee shall be responsible for co-ordination of the internal and external auditors.
- 10.1. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members
- 10.1. Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of AIM Rules.
- 10.1. Arrange for periodic reviews of its own performance and, at least annually, review its 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.
- 10.1. The Committee shall oversee any investigation of activities, which are within its terms of reference and act as a court of the last resort.
- 10.1. The Committee should consider such other matters as the Board may from time to time refer to it.

11. Authority

- 11.1. The Committee is authorised to:
 - 11.1.1. Seek any information it requires from any officer or employee of the Company and its subsidiaries in order to perform its duties and all employees are directed to co-operate with any requests made by the Committee;
 - 11.1.2. Call any member of staff to be questioned at a meeting of the Committee as and when required;
 - 11.1.3. To have the right to publish in the Company's annual report details of any issues that cannot be resolved between the committee and the board.
 - 11.1.4. Sanction the following, subject to prior Board approval, at the Company's expense:

- (a) the obtaining of outside legal or other professional advice on any matters within its terms of reference and, where necessary, the attendance at its meetings of outsiders with relevant experience and expertise; and
- (b) the obtaining of independent legal or other professional advice by any director of the Company or any of its subsidiaries who indicates to the committee that they require, or has obtained, independent legal or other professional advice in relation to their duties

11.1.5 In seeking the approval of the Board under paragraph 11.1.4. the Committee shall provide to the Board full details of any expense which is to be incurred in the making of such appointments.