

**DATED 23 September 2015**

**SKIL PORTS & LOGISTICS LIMITED**

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

## SKIL PORTS & LOGISTICS LIMITED (the “Company”)

### AUDIT COMMITTEE TERMS OF REFERENCE (the “Committee”)

*(as adopted by a resolution of the board of directors of the Company (the “Board”)  
passed in accordance with the Company’s articles of incorporation on 23 September 2015)*

#### 1. MEMBERSHIP

- 1.1 Members of the Committee shall be appointed by the Board in consultation with the chairman of the Audit Committee. The Committee shall be made up of at least two members. If the Company establishes a Nominations Committee, any appointments shall be made by the Board, in consultation with the chairman of the Audit Committee.
- 1.2 to the extent practicable:
  - 1.2.1 all members of the committee shall be independent non-executive directors; and
  - 1.2.2 at least one of whom shall have recent and relevant financial experience.<sup>1</sup>
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chairman of the Board, managing director, finance director, other director and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis to consider, in particular, the strategy, scope and process of the audit.
- 1.5 Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.
- 1.6 The Board shall appoint the Committee chairman who shall be an independent non-executive director (the “Committee Chairman”). 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. The Chairman of the Board shall not be the Chairman of the Committee.

#### 2. SECRETARY

The Company Secretary or his or her nominee shall act as secretary of the Committee (the “Committee Secretary”).and will ensure that the Committee receives information on papers in a timely manner to enable full and proper consideration to be given to the issues.

---

<sup>1</sup> The FRC Guidance on Audit Committees published on 15 October 2008 recommends that each member of the Committee should have a professional qualification from one of the professional accountancy bodies and be “financial literate”. The guidance acknowledges that the degree of financial literacy will vary according to the nature of the company, but recommends that experience of corporate financial matter will normally be required. The QCA Audit Committee Guidelines further suggest that one director of the Audit Committee should be “competent in accounting or auditing” and acknowledges that directors fulfilling this requirement will generally be held to have sufficient financial experience. Furthermore, members of the Committee should have: (i) extensive business experience; (ii) knowledge of financial markets; (iii) an understanding of management practices and operational risks, both generally and in the company’s industry and (iv) knowledge of any specialist legal or regulatory requirements

### **3. QUORUM**

The Quorum necessary for the transaction of business shall be two members (unless paragraph 6.2 is applicable, in which even the quorum shall be one member). 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**

The Committee shall meet at least three times a year at appropriate time in the reporting and audit cycle and otherwise as required. The Committee should aim to meet at least once a year with both the internal (if any) and external auditors without any executive director being present.

### **5. NOTICE OF MEETINGS**

5.1 Meetings of the Committee shall be summoned by the Committee Secretary at the request of any of the members of the Committee or at the request of external or internal auditors if they consider 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 later than five working days before the date of the meeting. Supporting papers shall be sent to the Committee members and to other attendees as appropriate, at the same time.

### **6. VOTING AT MEETINGS**

6.1 Each member of the Committee shall have one vote on matters considered at meetings of by way of written correspondence.

6.2 If a matter considered by the Committee is one in which a member of the Committee has a personal interest, that member shall not be permitted to vote and will not count as part of the quorum for that meeting.

6.3 Save where he has personal interests, the Committee Chairman shall have the casting vote.

### **7. MINUTES OF MEETINGS**

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

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

7.3 Draft minute of Committee meetings shall be circulated promptly to all members of the Committee. Once approved the minutes should be circulated to all other members of the Board unless it would be inappropriate to do in the opinion of the Committee chairman.

### **8. DUTIES**

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

## 8.1 **Financial Reporting**

8.1.1 The Committee is responsible for ensuring that annual and interim reports are providing shareholders with sufficient useful information in a usable format and that there are no significant omissions.

8.1.2 The Committee shall monitor, in discussion with the auditors, the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results' 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.

8.1.3 The Committee shall review and challenge where necessary;

- (a) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company and its group;
- (b) the methods used to account for significant or unusual transactions where difference 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 and completeness 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 operating and financial review and the corporate governance statements relating to the audit and risk management.

8.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

## 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 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.

## 8.3 **Internal Controls and Risk Management Systems**

8.3.1 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 statement to be included in the annual report concerning internal controls and risk management.

#### 8.4 **Whistleblowing**

The Committee shall:

- a) review the Company's arrangements by which employees may raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that such arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.<sup>2</sup>
- b) Review the Company's procedure for detecting fraud; and
- c) Review the Company's systems and controls for the prevention of bribery and receive and reports on non-compliance.

#### 8.5 **Internal Audit**

The committee shall review the need from time to time (at least annually) for an internal audit function in the context of the Company's overall risk management system and make a recommendation to the Board. If the Company establishes an internal audit function, the Committee shall;

- 8.5.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 8.5.2 approve the appointment and removal of the head of internal audit function;
- 8.5.3 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 it free from management or other restrictions;
- 8.5.4 review and assess the annual internal audit plan;
- 8.5.5 review promptly all reports on the Company from the internal auditors;
- 8.5.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 8.5.7 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 auditors carried out. In addition, the head of internal audit shall be given the right of direct access to the Committee Chairman; and
- 8.5.8 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

Where the Committee believe there is or remains no need for an internal audit function, the reason for the absence should be fully explained in the annual report.

---

<sup>2</sup> The Audit Committee should seek to ensure that: (i) staff are aware of and trust the Company's whistleblowing schemes; (ii) the process is well publicised; and (iii) the procedure is regularly reviewed and that all legitimate concerns are proportionately and independently investigated.

## 8.6 External Audit

The Committee shall;

- 8.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, reappointment and removal of the Company's external auditor;
- 8.6.2 ensure that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those other audit firms; and in respect of such tender 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. The Committee should consider the need to include the risk of the withdrawal of the auditor from the market in their risk evaluation and planning. Assessment criteria should typically include factors such as the qualifications, expertise, resources, quality, effectiveness and independence of the audit firm. The audit committee section of the annual report should explain to shareholders how it reached its recommendation to the Board on appointment, reappointment or removal of the external auditors. This explanation should normally include supporting information on tendering frequency, the tenure of the incumbent auditor and any contractual obligations that acted to restrict the Committee's choice of external auditor;
- 8.6.3 ensure the audit is delivering value to the Company;
- 8.6.4 at the end of each annual audit, discuss the performance of the audit and consider any improvements for future years;
- 8.6.5 oversee the relationship with the external auditor including (but not limited to);
  - (a) recommendations on their remuneration, including both fees for audit or non-audit services and that the level of fees is appropriate to enable adequate audit to be conducted;
  - (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (c) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements in Guernsey and the UK and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - (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) monitoring the auditor's compliance with the 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;

- (f) 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);
  - (g) 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. It might also be appropriate for the Committee to consider whether there might be any benefit in using firms from more than one audit network<sup>3</sup>; and
  - (h) seeking to ensure co-ordination with the activities of the internal audit function (if any);
- 8.6.6 meet regularly with the external auditor (including once at planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and an issue arising from the audit;
- 8.6.7 review and approve the annual audit plan (if any) and ensure that it is consistent with the scope of the audit engagement;
- 8.6.8 review the effectiveness and 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 and audit judgements;
  - (c) levels of errors identified during the audit; and
  - (d) the effectiveness of the audit process.
- 8.6.9 review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.6.10 review the management letter and management's response to the auditor's findings and recommendations;
- 8.6.11 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.

## 8.7 Auditor Liability, Limitation Agreements

Auditor liability limitation agreement are permitted under Guernsey law. The Audit Committee should at all times be aware that:

- 8.7.1 the Company is not obligated to enter into such an agreement and should only consider doing so where the directors have carefully and extensively considered applicable risks and can explain why entering into the agreement provides compelling benefits for shareholders;

---

<sup>3</sup> Guidance on the considerations relevant to the use of firms from more than one audit network can be found in the Appendix to the FRC Guidance on Audit Committees.

- 8.7.2 any proposed agreement should be approved by an ordinary resolution of the Company's shareholders; and
- 8.7.3 the duration of an agreement should not exceed one financial year;

## 8.8 **Reporting Responsibilities**

- 8.8.1 The Committee Chairman shall report formally to the board on its proceedings after each meeting on all matter within its duties and responsibilities. This report shall include:
  - a) The significant issues that it considered in relation to the financial statements and how these were addressed;
  - b) Its assessment of the effectiveness of the external audit process and its recommendations on the appointment or reappointment of the external auditor; and
  - c) Any their issues on which the Board has requested the Committees opinion.
- 8.8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.8.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the AIC Corporate Governance Code.
- 8.8.4 In the compiling of the reports referenced to in 8.1 and 8.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern.

## 9.9 **OTHER MATTERS**

The committee shall:

- 9.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 9.2 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;
- 9.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the AIM Rules for Companies and the QAC Corporate Governance Guideline for AIM Companies as appropriate;



- 9.4 be responsible for coordination of the internal and external auditors; and
- 9.5 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.

**10. ANNUAL GENERAL MEETING**

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

**11. OTHER**

The Committee shall make its terms of reference setting out its delegated responsibilities publicly available and 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.

**11. AUTHORITY**

- 11.1 The Committee is authorised by the Board to see any information it requires from any employee or director of the Company in order to perform its duties;
- 11.2 In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice;