

Huntsworth plc

Non-audit services policy

Introduction

This document outlines the Audit Committee's policy on the provision of non-audit services by the incumbent Group external auditor ("the auditor").

Section C.3.2 of the UK Corporate Governance Code requires the Group, amongst other things:

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The underlying objectives are to try and ensure that the provision of non-audit services does not impair, or is not perceived to impair, the auditor's independence or objectivity.

The Audit Committee recognises that the auditor has significant knowledge of the Group's business and that this knowledge and experience can be utilised to the Group's advantage in the provision of certain additional professional services. However, there is a need to balance these advantages against the need to maintain safeguards in those areas where there could be an external perception that the auditor's independence and judgment may have been impaired through the award of non-audit assignments.

This policy provides guidance on the services that the auditor may be asked to undertake and those services where the auditor should not be involved. There is a further category of services where referral to the Audit Committee for further consideration is required.

The Audit Committee also wishes to ensure that non-audit fees payable to the auditor are kept within a reasonable level relative to the audit fee. The level of such fees will be monitored by Group Finance and the Audit Committee. While there is no pre-determined limit, the Audit Committee expects that the ratio of non-audit fees to audit fees payable to the auditor would not normally exceed 1:1.

Services which may be provided by the auditor without Audit Committee pre-approval

Subject to the monetary approval level noted below, services which may be provided by the auditor without the need for Audit Committee pre-approval fall into three categories:

1. Services required by legislation or contract to be undertaken by the auditor

- contractual requirements, for example covenant compliance certification;
- legal requirements to report on certain matters, for example share issues for non-cash consideration, expenditure for grant application purposes.

2. Non-mandatory reporting to be undertaken by the auditor

- Interim review procedures and reporting;
- Assurance procedures on certain industry or regulatory returns, for example 'PR Week' submissions.

3. Services where it may be more efficient for the auditor to provide because of their existing knowledge of the business:

- Advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters, tax and governance regulations;
- Advice on business process improvements, eg working capital procedures;
- Ad hoc reporting on historical financial information for other purposes, eg earn-out reviews;
- Corporate finance advisory services, eg reporting accountant for a prospectus.

The provision of such services is subject to not giving rise to audit independence or the perception of audit independence issues. If there is any doubt then then prior approval from the Audit Committee should be sought.

Services which are never to be performed by the auditor

The auditor is prohibited from performing any of the following services:

- Bookkeeping and other services relating to the preparation of accounting records;
- Preparation of statutory accounts;
- Selection, design or implementation of major financial systems;
- Provision of outsourced financial systems or operational management functions;
- Provision of internal audit services;
- Provision of risk management assessment or monitoring services (other than advice on process);
- Design, development or implementation of internal control frameworks;
- Remuneration advice in respect of senior management;
- Acting as executive management of company operations and activities, including acting temporarily or permanently as a director, officer or employee of the Group;
- Provision of valuation services;
- Recruitment services;
- Company Secretarial services;

- Payroll services;
- Corporate finance advisory services where advice depends on accounting treatment or presentation or where the advice may have a material impact on the financial statements;
- Acting as a lobbyist; and
- Provision of litigation support.

Services which require prior Audit Committee approval

There are certain services that could be provided by a number of firms, where the selection of the auditor is incidental and should only be made with due consideration of alternative professional services firms or, particularly in the case of large projects, where a tender process has been undertaken.

In these instances, it is necessary for the Audit Committee to consider whether it is appropriate to appoint the auditor, with due regard to the overall independence of the auditor, in particular the balance of audit versus non-audit fees in the year. The lead partner for the assignment should not be the same person as the lead audit partner.

The nature of the work which could be undertaken by the external auditor in this category includes:

- Advice and assurance in respect of direct and indirect tax matters including tax compliance, advice on liaison with the Inland Revenue, tax planning and structure advice, tax consultancy services and employee tax services, including share plans;
- Forensic and control investigations;
- General consulting and systems projects;
- Due diligence investigations related to potential acquisitions, disposals or joint ventures;
- Management consultancy.

Monetary approval level

Notwithstanding the above, any new engagement with the auditor in excess of £75,000 for an individual service or specific project in any of the above categories of service must be approved in advance by the Audit Committee.

No services should be provided by the auditor where the fee is fully or partially contingent on success.

Audit Committee