

YOUNG & CO.'S BREWERY, P.L.C.
AUDIT COMMITTEE TERMS OF REFERENCE

1. Formation

1.1 The committee was formed by a resolution of the board passed on 25 March 1998.

2. Membership, chairman and secretary

2.1 Members of the committee shall be appointed by the board in consultation with the committee chairman, and all of them shall be non-executive directors of the company.

2.2 The committee shall have at least two members, one of whom should have recent and relevant financial experience.

2.3 The board shall appoint one of the members of the committee to act as chairman of the committee.

2.4 The secretary of the company or his nominee shall act as secretary.

3. Meetings

3.1 The committee shall meet at least three times a year at appropriate times to coincide with key dates in the company's financial reporting cycle and at such other times as members of the committee may require.

3.2 Meetings of the committee shall be called by the secretary at the request of any of its members or at the request of the company's external auditor if it considers it necessary.

3.3 Notice of each meeting shall be given to each member. It shall confirm the venue, time and date of the meeting and be accompanied by an agenda of the matters to be discussed at the meeting and any supporting papers. To the extent decided by the committee chairman, the notice, agenda and supporting papers shall also be sent to each other person required or requested to attend the meeting.

3.4 Only members of the committee have the right to attend its meetings; the committee may, however, invite other directors and other individuals to attend when appropriate. The company's external auditor may be required to attend meetings without any of the executive directors of the company being present with a view to consulting with the committee.

3.5 Meetings of the committee shall be chaired by the committee chairman. If he (or any appointed deputy of his) is not present, the remaining members present may elect one of themselves to chair the meeting.

3.6 The quorum necessary for the transaction of business shall be two members.

- 3.7 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.
- 3.8 Each member of the committee shall have one vote which may be cast on matters considered at the meeting. Votes may only be cast by members attending a meeting.
- 3.9 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.
- 3.10 Except where he has a personal interest, the chairman of the meeting shall have a casting vote.
- 3.11 The secretary shall take minutes of all proceedings at, and resolutions of, meetings of the committee and these shall be circulated promptly to all members of the committee. Once approved, the minutes shall be circulated to all of the other members of the board in the usual way unless in the committee chairman's opinion it would be inappropriate to do so.

4. Duties: financial reporting

The committee shall:

- (a) monitor the integrity of the company's financial statements (including its annual and half yearly reports, preliminary results announcements, interim results announcements and any other formal announcements relating to its financial performance) and review and report to the board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the company's external auditor;
- (b) review, with help from the company's external auditor (if necessary), and recommend to the board material new accounting policies and standards, particularly where such new policies and standards require significant judgement;
- (c) advise the board on whether, taken as a whole, the content of the company's annual report and accounts is fair, balanced and understandable, and whether it provides the information necessary for the members of the company to assess the company's performance, business model and strategy and how the directors have performed their duty under section 172 of the Companies Act 2006 to promote the success of the company;
- (d) review and challenge where necessary:
 - (i) the consistency and appropriateness of, and any changes to, accounting policies and practices both on a year on year basis and across the company and its group;

- (ii) whether the company has made appropriate estimates and judgements, taking into account, as the case may be, the views of the company's external auditor;
 - (iii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iv) the clarity of disclosures in the company's financial reports and the context in which statements are made;
 - (v) significant adjustments resulting from any audit;
 - (vi) the going concern assumption;
 - (vii) compliance with appropriate accounting standards, the AIM Rules and other legal requirements; and
 - (viii) all material information presented with the financial statements, such as the strategic report and any corporate governance statement (insofar as it relates to audit and risk management);
- (e) report its views to the board if it is not satisfied with any aspect of the proposed financial reporting by the company; and
 - (f) review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation, including the AIM Rules and the Market Abuse Regulation.

5. Duties: internal control and risk management

The committee shall:

- (a) review the company's systems, procedures and controls (and their effectiveness) for detecting fraud and for the prevention of bribery, together with any claims investigation results and reports of non-compliance;
- (b) monitor the integrity, adequacy and effectiveness of the company's systems of internal control (including internal financial control, financial reporting and risk management) and review reports from the company's management on them;
- (c) review and approve any statements to be included in the company's annual report and accounts concerning internal controls and risk management;
- (d) 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, and ensure that these

arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and

- (e) report to the board any concerns on the effectiveness of the internal control environment.

6. Duties: internal audit

The committee shall:

- (a) consider and approve the remit of the company's internal audit function and be responsible for co-ordinating that function with the company's external auditor;
- (b) review, assess and approve the company's annual internal audit plan and ensure that it is aligned to the key risks of the company's business and receive regular reports on work carried out;
- (c) review periodically reports on the results from the company's business risk assurance manager's work;
- (d) review the responsiveness of the company's management to the findings and recommendations of the company's business risk assurance manager and any agreed management actions;
- (e) ensure that the company's internal audit function is equipped to perform and has the necessary resources and access to information to enable it to fulfil its mandate in accordance with appropriate professional standards for internal auditors;
- (f) ensure there is open communication between different functions within the company and that the company's internal audit function evaluates the effectiveness of these functions as part of the company's internal audit plan;
- (g) ensure that the company's business risk assurance manager is accountable to the committee and has direct access to the committee chairman and the board's chairman;
- (h) monitor and assess the role and effectiveness of the company's internal audit function in the context of the company's overall risk management system;
- (i) approve the appointment and removal of the company's business risk assurance manager; and
- (j) meet with the company's business risk assurance manager at least once a year without any executive member of the board or other member of the company's management being present to discuss any areas of concern that he may have and any issues arising from his work.

7. Duties: external audit and external auditor

The committee shall:

- (a) oversee the company's relationship with its external auditor and be responsible for co-ordination of the company's internal audit function with the company's external auditor;
- (b) consider and make recommendations to the board, to be put to shareholders for approval at the company's annual general meeting, in relation to the appointment, re-appointment and removal of the company's external auditor;
- (c) if the company's external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) oversee the selection process for the appointment of any new external auditor by the company (and if this involves the audit services contract being put out to tender, ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process);
- (e) approve the terms of engagement (including any engagement letter issued at the start of each audit) and the remuneration to be paid to the company's external auditor in respect of audit and non-audit services, such that the level of fees is appropriate for an effective and high quality service to be provided;
- (f) assess annually the qualification, expertise and resources, effectiveness and independence and objectivity of the company's external auditor, taking into account relevant UK professional and regulatory requirements, any threats to the auditor's independence and the safeguards applied to mitigate those threats and the relationship with the auditor as a whole (and in this regard the committee should consider:
 - (i) seeking reassurance that the auditor and its staff have no family, financial, employment, investment or business relationship with the company (other than in the normal course of business) which could adversely affect the auditor's independence and objectivity;
 - (ii) seeking from the auditor annually information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including ethical and professional guidance on the rotation of audit partners;
 - (iii) monitoring the level of fees that the company pays the auditor compared to the overall fee income of the firm, office and partner;
 - (iv) requesting a copy of the auditor's then most recently published transparency report;

- (v) requesting an overall annual report on the auditor's own audit quality monitoring activities (which report is to cover the auditor's quality control systems and their own review of a sample of their completed audits); and
- (vi) requesting the latest results of the auditor's audit quality monitoring and confirmation as to whether or not the company's audit was reviewed (and if reviewed, discussing the findings and any remedial action taken or planned to address them));
- (g) review with the company's external auditor before the audit commences the nature and scope of the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (h) review with the company's external auditor the findings of its work (including any major issues that arose during the course of the audit that were subsequently resolved and those that were left unresolved, key accounting and audit judgements, and levels of errors identified during the audit) and obtain explanations from the company's management and, where necessary the company's external auditor, as to why certain errors remain unadjusted;
- (i) review with the company's external auditor its satisfaction with its access to and the flow of information from the company during the audit process;
- (j) evaluate the risks to the quality and effectiveness of the financial reporting process in light of the company's external auditor's communications with the committee, if any;
- (k) review any management letter and management's response to the company's external auditor's findings and recommendations;
- (l) review any audit representation letter before consideration by the board, giving particular consideration to matters that relate to non-standard issues;
- (m) assess, at the end of the audit cycle, the effectiveness of the audit process by:
 - (i) reviewing whether the company's external auditor met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the company's external auditor to address those risks;
 - (ii) considering the robustness and perceptiveness of the company's external auditor in its handling of key accounting and audit judgements identified and in responding to questions from the committee, and in its commentary, where appropriate, on the systems of internal control;

- (iii) obtaining feedback about the conduct of the audit from key people involved; and
 - (iv) reviewing the content of the company's external auditor's management letter to determine whether it is based on a good understanding of the company's business and to establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon;
- (n) review, develop and recommend to the board a policy in relation to the provision of non-audit services by the company's external auditor to avoid any threat to auditor objectivity and independence; and
- (o) meet with the company's external auditor at least once a year without any executive member of the board or other member of the company's management being present to discuss any areas of concern that it may have and any issues arising from its work.

8. Authority and resources

- 8.1 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 auditor and to obtain, at the company's expense, professional advice on any matter within its terms of reference.
- 8.2 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.
- 8.3 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 and the requirements of the London Stock Exchange's rules for AIM companies;
 - (d) oversee any investigation of activities which are within its terms of reference;
 - (e) arrange for a periodic review of its own performance and consider what additional skills and experience are needed on the committee;

- (f) at least once a year, 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; and
 - (g) consider such other matters as may be requested by the board.
- 8.4 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed. These recommendations must, however, be approved by the board before they can be implemented.

9. **Additional responsibilities of the committee chairman**

- 9.1 The chairman of a meeting shall report formally to the board on the committee's proceedings after each meeting on all matters within the committee's duties and responsibilities.
- 9.2 The committee chairman shall attend the company's annual general meeting prepared to respond to any shareholder questions on the committee's activities.
- 9.3 Outside of the formal meeting programme, the committee chairman shall maintain a dialogue with key individuals involved in the company's governance, including the board's chairman, the chief executive, the finance director, the company secretary, the company's business risk assurance manager and the lead partner of the company's external auditor.

10. **Meaning of certain expressions**

In this document:

board means the board of directors of the company;

committee means the company's audit committee;

committee chairman means the chairman of the committee from time to time;

company means Young & Co.'s Brewery, P.L.C.;

external auditor means the company's external auditor from time to time; and

secretary means the secretary to the committee from time to time.