



**TPS EASTERN AFRICA LIMITED
BOARD AUDIT COMMITTEE
TERMS OF REFERENCE**

1.0 CONSTITUTION

The Audit and Finance Committee (the Committee) is a Committee of the Board constituted by a Resolution of the Board dated 21st October 1997 to assist the Board in discharging its oversight responsibilities with specific authority and responsibilities as outlined in paragraph 4.0 and 5.0 below, respectively.

The Committee's Terms of Reference have been revised and re-approved by the Board by a resolution of the Board dated 19th March 2008. Further revision has been approved by the Board by resolutions dated 23rd October 2009 and 25th July 2012 respectively.

2.0 MEMBERSHIP

- 2.1 The Committee shall be appointed by the Board and shall be comprised of at least four members and all members shall be independent¹ and non-executive directors² of the Company.
- 2.2 Two members shall constitute a quorum.
- 2.3 The period of appointment shall be determined by the Board who shall have the powers to remove members or add new members at any time.
- 2.4 The Chairman of the Committee shall be appointed by the Board. The Chairman shall be an independent and non-executive director.
- 2.5 In the absence of the Committee Chairman, the remaining members present shall choose one of their numbers to chair the meeting.
- 2.6 Each Committee member shall be financially literate; at least one member must have accounting or related financial expertise.

¹ "Independent director" means a director who:

- i) has not been employed by the Company in an executive capacity within the last five years;
- ii) is not affiliated to an adviser or consultant of the Company or a member of the Company's senior management or a significant customer or supplier of the Company or with a not-for-profit entity that receives significant contributions from the Company; or within the last five years, has not had any business relationship with the Company (other than service as director) for which the Company has been required to make a disclosure.
- iii) has no personal service contract (s) with the Company, or a member of the Company's senior management.
- iv) is not employed by a public Company at which an executive officer of the Company serves as a director.
- v) is not a member of the immediate family of any person described above; or
- vi) has not had any of the relationships described above with any affiliate of the Company.

² "Non-executive director" means a director who is not involved in the administrative or managerial operations of the Company.

- 2.7 The Secretary of the Committee shall be the Group Company Secretary.
- 3.0 MEETINGS
- 3.1 Meetings shall be held not less than three times a year to coincide with key dates in the Company's financial reporting cycle.
- 3.2 Only Committee members are entitled to attend meetings. The Committee, at its discretion, may require the Managing Director, Finance Director, Head of Internal Audit, Senior Management and other staff to attend meetings and provide information and explanations relevant to the Company and its operations as outlined below. The Committee may, again at its discretion, ask the Company's external auditors to attend meetings and answer questions relating to the Company's financial controls and audit procedures. The Committee may also invite other non-executive Directors to its meetings as appropriate.
- 3.3 The external and internal auditors shall be invited to make presentations to the Committee as appropriate.
- 3.4 The Committee shall meet with the external auditors, at least once a year, without Management's presence.
- 3.5 Special Committee meetings may be convened, as required. The Secretary will convene such a meeting on receipt of a request by the external auditor or Head of Internal Audit.
- 3.6 As a minimum, the Chairman of the Committee or another Committee member should attend the Board meeting at which financial statements are approved.
- 4.0 AUTHORITY
- The Board authorises the Committee to:
- 4.1 Perform any activity within the scope of its Terms of Reference.
- 4.2 Engage independent legal or other professional advice and to secure the attendance of anyone it considers has relevant experience, expertise or knowledge.
- 4.3 Ensure the attendance of Company officers at meetings, as appropriate.
- 4.4 Have access, through the Managing Director, to members of Management, employees and relevant information.
- 4.5 Review and challenge established procedures for receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters.
- 4.6 Recommend the appointment, compensation, retention and oversee the work of the external auditor.



- 4.7 Review and recommend to the respective boards, all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditor.

5.0 ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Committee shall be to:

Financial reporting

- 5.1 Review and challenge the actions and judgments of Management, in relation to the Company's financial statements, operating and financial review, interim reports, preliminary announcements and related formal statements before submission to and approval by the Board and before clearance by the external auditors.
- 5.2 Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- 5.3 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on financial reports.
- 5.4 Oversee the periodic financial reporting process implemented by Management and review interim financial statements, annual financial statements and preliminary announcements prior to release.
- 5.5 Meet with Management and external auditors to review the financial statements, key accounting policies and judgements, and the results of the audit.
- 5.6 Ensure that significant adjustments, unadjusted differences, difference of opinion with Management and critical accounting policies and practice are discussed with the external auditor.

Internal control and risk management

- 5.7 Assess the scope and effectiveness of the systems established by Management to identify, assess, manage and monitor financial and non-financial risks.
- 5.8 Review Management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management.
- 5.9 Review the Company's procedures for managing the risk of fraud.
- 5.10 Review the statement in the annual report and financial statements on the Company's internal controls and risk management framework.
- 5.11 Consider how Management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.



Internal Audit

- 5.12 Review with Management and Head of Internal Audit, the mandate, activities, resources and organizational structure of the internal audit function and ensure no unjustified restrictions and limitations are made.
- 5.13 Review and concur in the appointment, replacement, or dismissal of the Head of Internal Audit.
- 5.14 Review the effectiveness of the internal audit function in the overall context of the Company's risk management system and ensure that the internal audit function has appropriate standing within the Company;
- 5.15 Meet separately with the Head of Internal Audit to discuss any matters that the Committee or internal audit believes should be discussed privately.
- 5.16 Receive a report on the results of the internal auditor's work on a periodic basis.
- 5.17 Review and monitor Management's responsiveness to the internal audit's findings and recommendations.
- 5.18 Review the proposed internal audit plan for the coming year and ensure it addresses key areas of risk and that there is adequate coordination with the external auditor, and have final authority to review and approve the annual audit plan and all major changes to the plan.

External Audit

- 5.19 Review the professional qualifications of the external auditors, including background and experience of the engagement partner and auditing personnel.
- 5.20 Consider the independence of the external auditors and any potential conflict of interest.
- 5.21 Review on an annual basis the performance of the external auditors and make recommendations to the Board for the appointment, re-appointment or termination of the appointment of the external auditors.
- 5.22 Review with the external auditor's proposed audit scope and approach for the current year in the light of the Company's present circumstances and changes in regulatory and other requirements.
- 5.23 Discuss with external auditors' work, including, any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgments; levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted, including any restriction in audit scope or access to information.



- 5.24 Ensure that significant findings and recommendations made by the external auditors and Management's proposed response are received, discussed and appropriately acted on.
- 5.25 Review the external audit letters of representation before consideration by the Board, giving particular consideration to matters that relate to non-standard issues.
- 5.26 Discuss with the external auditor the appropriateness of the accounting policies applied in the Company's financial reports and whether they are considered as aggressive, balanced or conservative.
- 5.27 Review and recommend to the Board, the Company's policy in relation to the provision of non-audit services by the external auditor and ensure that the provision of such services does not impair the external auditor's independence or objectivity.

Compliance with laws and regulations

- 5.28 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of non-compliance.
- 5.29 Be satisfied that all regulatory compliance matters, related to the business of the Company, have been considered in the preparation of the financial statements.
- 5.30 Review the business code of conduct/ethics and ensure compliance therewith.

6.0 REPORTING PROCEDURES AND RESPONSIBILITIES

The Committee shall report to the Board through its Chairman; it may raise any matter within its Terms of Reference and may make comments and proposals. The Secretary shall circulate the minutes of the meetings of the Committee, after their approval by the Committee Chairman, to all members of the Board.

- 6.1 The Committee shall regularly update the Board about the Committee's activities and make appropriate recommendations.
- 6.2 The Committee shall ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business.
- 6.3 The Committee shall prepare any reports required by law or Securities exchange rules or requested by the Board, for example, a report on the Committees' activities to be included in the section on corporate governance in the Company's annual report.



7.0 OTHER MATTERS

- 7.1 The Committee shall evaluate its own performance and effectiveness, both as individual members and collectively, on a regular basis.
- 7.2 The Committee shall assess the achievement of the duties specified under its Terms of Reference and report findings to the Board.
- 7.3 The Committee shall review and assess the adequacy of its Terms of Reference regularly and discuss any required changes with the Board.
- 7.4 The Committee shall ensure that the Terms of Reference are approved or re-approved by the Board.

Signed..........Date.....25/07/2012.....

Chairman
Board of Directors
TPS Eastern Africa Limited

