

MAJESTIC WINE PLC

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Membership

- 1.1. The Committee shall consist of not less than three members. The Committee shall be appointed by the Board.
- 1.2. All members of the Committee shall be independent non-executive directors of the Company, at least one of whom shall have recent and relevant financial experience.
- 1.3. Members of the Committee have the right to attend Committee meetings. Members of the Board who are not Committee members also have the right to attend Committee meetings. Other individuals and representatives of the external auditors may be invited to attend all or part of any meeting at the invitation of the Committee.
- 1.4. The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors. The period of office will be determined by the Board. In the absence of the Chairman of the Committee the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

The Company Secretary or their designee shall act as secretary to the Committee.

3. Quorum

A quorum shall be any two members.

4. Frequency of meetings

The Committee shall meet at least three times a year, and where appropriate meetings should coincide with key dates in the Company's financial reporting cycle.

5. Notice of meetings

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members. The external auditors may request a meeting of the Committee if they consider that one is necessary.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with the agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend in advance of the meeting

6. Minutes of meetings

- 6.1. The Secretary shall minute the proceedings and decisions of all meetings of the Committee.
- 6.2. The Secretary shall circulate the minutes of meetings to the Committee, all members of the Board, the external auditors and such other attendees of the meetings as the Chairman of the Committee shall direct.

7. Annual General Meeting

The Chairman of the Committee should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

8. Duties

The duties of the Committee are:

Financial reporting

- 8.1. to monitor the integrity of the financial statements of the Company, including the annual and half-yearly reports and any formal announcements or regulatory returns relating to the Company's financial performance, reviewing significant financial reporting judgements contained therein;
- 8.2. to review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
 - accounting policies and practices, and any changes in them;
 - the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed;
 - decisions requiring a major element of judgement;
 - the clarity of disclosures;
 - reviewing the business review and corporate governance statements, addressing audit and risk management, prior to endorsement by the Board;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - compliance with accounting standards; and
 - compliance with stock exchange and other similar legal requirements.
- 8.3. to consider other topics, as defined by the Board.

Narrative reporting

- 8.4. to oversee the review of 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.

Internal control and risk management systems

- 8.5. to review, understand and evaluate the adequacy and effectiveness of the Company's internal financial, risk, and other internal controls and their associated systems;
- 8.6. to keep under review the need for an internal audit function and make recommendations to the full Board
- 8.7. to review and approve the statements to be included in the annual report concerning internal controls and risk management.

External Audit

- 8.8. to consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the external auditor;
- 8.9. to ensure that consideration is given at least once every ten years to tendering the external audit contract and to oversee the selection process;
- 8.10. to investigate any issues arising from the external auditor's resignation or dismissal;
- 8.11. to oversee the relationship with the external auditor including (but not limited to):
 - 8.11.1. recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate;
 - 8.11.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.11.3. to monitor and review the effectiveness of the external audit process and assess annually the external auditor's independence, objectivity and effectiveness, taking into consideration relevant UK professional and regulatory requirements;
 - 8.11.4. to agree a policy on the employment of former employees of the external auditor and monitor the application of this policy; and
 - 8.11.5. monitoring the auditor's compliance with the relevant ethical and professional guidance on the rotation of audit partner.
- 8.12. to discuss with the external auditor, before the audit commences, the nature and scope of the audit;
- 8.13. to review the proposed audit programme with the external auditors;
- 8.14. to review, annually, the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- 8.15. to review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.16. to review the external auditor's management letter and management's response;
- 8.17. to keep under review the non-audit fees paid to the external auditors both in relation to their significance to the auditors and in relation to the Group's total expenditure on consultancy;
- 8.18. to consider management's response to any major external audit recommendations; and
- 8.19. the external auditors shall meet with the Committee without executive directors present at least annually. A separate part of each meeting will be set aside for discussions with the external auditors as required.

9. Reporting responsibilities

- 9.1. The Committee shall report to the Board on the following matters for which the Board has delegated responsibility:
 - the monitoring and review of the application of policy relating to the audit of all companies within the Group;

- the monitoring and review of the consistency of compliance with and application of the accounting principles, policies and standards to be used by the Group in maintaining and producing their statutory accounts and financial reports;
- the appointment of the external auditors, the external audit fee, and any questions of their resignation or dismissal;
- the review of the effectiveness of the risk management and internal control systems to give assurance to the Board that effective control is being maintained; and
- the review of the Company's business and corporate governance statements (audit and risk functions).

10. Other matters

The Committee shall:

10.1. Investigate any activity within its terms of reference.

10.2. The Committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the Board.

11. Authority

The Committee is authorised by the Board to:

11.1. obtain, at the Company's expense, independent legal, accounting or other professional advice and such advisors may attend meetings as necessary;

11.2. seek any information that it requires from any employee of the Company and all employees are directed to cooperate with any request made by the Committee

11.3. direct either the external auditors or internal accounting staff to undertake investigations on its behalf and to follow up on any suspicions of fraud;