

## **Immunodiagnostic Systems PLC Audit Committee Charter**

### **1. Purpose**

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) to fulfil its oversight responsibilities to the shareholders and potential shareholders of Immunodiagnostic Systems PLC (“IDS”), the investment community, and others by reviewing:

- the financial reports and other financial information provided by the Company to designated regulatory bodies or the public;
- the Company's systems of internal controls regarding financial / legal compliance and ethics that Management and the Board have established;
- the independent auditor’s qualifications and independence;
- and the Company’s auditing and financial reporting processes generally.

In addition the Committee will oversee the establishment of enterprise risk management practices at IDS, including major financial risk exposures.

Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's accounting and financial reporting process and internal control system.
- Be directly responsible making recommendations to the Board for the nomination, compensation and oversight of the Company’s auditors (the “Auditors”).
- Provide an open avenue of communication among the Auditors, Management and the Board.

### **2. Authority**

The Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Committee may request any chief executive officer, other director or employee of the Company or the Company’s outside counsel or Auditors to attend a meeting of the Committee or to meet with any member of, or consultants to, the Committee.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage and determine funding for independent counsel and other advisers as it determines necessary to carry out its duties.

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**3. Composition**

The Audit Committee shall comprise two or more members as determined by the Board, at least two of which shall meet the independence requirements of the London Stock Exchange (AIM), which may change from time to time.

All members of the Committee must be able to read, understand and interpret fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement at the time they join the Committee, and at least one member of the Committee shall have recent and relevant accounting or related financial Management expertise and be determined by the Board to be a financial expert.

**4. Appointment**

The Chairman and members of the Committee shall be appointed by the Board and serve for a term of up to 3 years. Any appointment may be extended for two further periods.

**5. Chairman**

The Chairman shall be primarily responsible for the proper functioning of the Committee. He shall act as the spokesman of the Committee and shall be the main contact for the Board.

**6. Meetings**

The Committee shall meet at least three times annually, or more frequently as circumstances dictate and shall make regular reports to the Board. At any meeting of the Committee, the greater of 2 members or a majority of the independent members of the Committee shall constitute a quorum. Committee meetings are generally held at the offices of the company, but may also take place elsewhere. As part of its job to ensure open communications, the Committee shall meet at least twice with the Finance Director and the Auditors in separate executive sessions to discuss any matters that the Committee or either of these groups believe should be discussed. The Committee should meet with the Auditors and Management annually to review the Company's financial statements. Meetings may be in person or via teleconference or videoconference; at least one meeting annually should be in person.

Within four weeks after the closing of the meeting – if possible earlier – the Chairman shall sign as evidence the complete minutes of that meeting and distribute them to the members of the Board.

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**7. Responsibilities and Duties**

The Audit Committee should obtain an understanding of the Company's structure, reporting process, internal controls, suppliers and customers, use of technology and other matters so that the Committee can:

- a. Review and assess the adequacy of this Charter as conditions dictate and propose changes to the Board for approval.
- b. Review with Management and the Auditors the Company's half-yearly earnings reports prior to their public release;
- c. Review and pre-approve all related-party transactions between IDS and Directors or Executive Management Team Members.
- d. Discuss with Management and the Auditors whether the Company's affiliated entities are in conformity with applicable legal requirements and the Company's Corporate Governance Code, including disclosures of insider and affiliated party transactions. Advise the Board of the IDS' compliance.
- e. Meet periodically with Management to review the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures.

**8. Auditors**

The Audit Committee has the primary authority to:

- a. Subject to Board and shareholder approval, nominate and determine funding for, and oversee the Auditors (including resolution of disagreements between Management and the Auditors regarding financial reporting).
- b. The Audit Committee acts as representatives of the Company's shareholders, and as representatives of the shareholders has the authority and responsibility to select, evaluate, and where appropriate, nominate auditors to be proposed for shareholder approval.
- c. Recommend the selection of Auditors to audit the consolidated financial statements and local books and records of the Company and its subsidiaries. The firm selected is ultimately accountable to the Audit Committee and the Board for its review of financial statements and controls of the Company.
- d. Approve, in advance, the fees and terms for audit services provided by Auditors. Approve, in advance, the retention of the Auditors for any permissible non-audit services taking into account relevant ethical guidance regarding the provision of non-audit services such Auditors and the fees for such services.
- e. Delegate pre-approval authority required by (c) and (d) of this Section to one or more of its members. Should the Audit Committee delegate such authority, appropriate procedures will be established, including putting in place a procedure whereby the decisions of any member to whom authority is delegated to pre-approve services shall be presented to the full audit Committee at each of its scheduled meetings.
- f. Review the experience and qualifications of the senior members of the Auditor's team and the quality control procedures of the Auditors.

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- g. Review the independence and objectivity of Auditors by receiving from, and reviewing and discussing with, the Auditors, on a periodic basis, a formal written statement delineating all relationships between the Auditors and the Company consistent with relevant UK professional and regulatory requirements; reviewing and discussing with the Board, if necessary, and the Auditors, on a periodic basis any disclosed relationships or services between the Auditors and the Company or any other disclosed relationships or services that may impact the objectivity and independence of the Auditors; and recommending, if necessary, that the Board take appropriate action to satisfy itself of the Auditors' independence.
- h. Review the performance of the Auditors with Management, and when circumstances warrant, recommend to the Board any discharge of the Auditors.
- i. Discuss on a half-yearly basis the scope and results of the half-yearly reviews and annual audits with the Auditors; meet annually outside the presence of Management. At any time, either the Auditors or the Audit Committee may request a meeting outside the presence of Management.
- j. Recommend to the Board guidelines for the Company's hiring of employees of the Auditors who were engaged on the Company's account.
- k. Consideration will be given to the relevant UK professional, legal and regulatory requirements guidelines of independence for former Auditors.
- l. Discuss with the Auditors prior to the audit the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. Also, the Committee shall discuss with Management and the Auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs.

**9. Internal Audit**

The Committee shall:

- a. Monitor and review with Management the activities, staffing, effectiveness and organizational structure of the company's internal audit function save that where there is no internal audit function, the audit committee will consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.
- b. The need for an internal audit function will vary depending on company specific factors including the scale, diversity and complexity of the company's activities and the number of employees, as well as cost/benefit considerations. Senior management and the Board may desire objective assurance and advice on risk and control. The audit committee may take the view that an adequately resourced internal audit function (or its equivalent where, for example, a third party is contracted to perform some or all of the work concerned) may provide such assurance and advice. There may be other functions within the company that also provide assurance and advice covering specialist areas such as health and safety, regulatory and legal compliance and environmental issues.
- c. In the absence of an internal audit function, management needs to apply

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other monitoring processes in order to assure itself, the audit committee and the board that the system of internal control is functioning as intended. In these circumstances, the audit committee will need to assess whether such processes provide sufficient and objective assurance.

The following provisions relate to any internal audit function that exists within the company :

- a. Have final authority to review and approve the annual audit plan and all major changes to the plan.
- b. Ensure there are no unjustified restrictions or limitations for Internal Audit activities, including direct access line to the Audit Committee. In addition, as part of its job to ensure open communications, the Audit Committee should meet with Management in separate executive sessions to discuss any matters that the Committee or either of these groups believes should be discussed.
- c. At least once per year, review the effectiveness of the internal audit activities. Management should provide the Audit Committee with an annual report of the audits performed and high-level analysis of the time spent and adequacy of the current resources.

### **10. Risk Management**

- a. The Committee should review the company's internal financial controls (that is, the systems established to identify, assess, manage and monitor financial risks); and unless expressly addressed separately by a risk committee comprised of independent directors or by the board itself, the company's internal control and risk management systems.
- b. The company's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the board that it has done so. Except where the board or a risk committee is expressly responsible for reviewing the effectiveness of the internal control and risk management systems, the Committee should receive reports from management on the effectiveness of the systems they have established and the conclusions of any testing carried out by (any) internal and the external auditors.

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**11. Financial Reporting Process**

The Audit Committee shall:

- a. Discuss the Company's financial accounting and reporting principles and policies in accordance with the relevant accounting standards and requirements as well as the adequacy of the Company's internal accounting, financial and operating controls that could significantly affect the Company's financial statements with the Auditors, and Management.
- b. Consider the Auditors' judgment about the quality and appropriateness of the Company's accounting principles and approve any recommendations regarding changes to the Company's accounting policies and processes as suggested by the Auditors or Management.
- c. Review with Management and the Auditors the effect of regulatory and accounting initiatives as well as any off-balance sheet structures and transactions on the Company's financial statements.
- d. Review judgments made in connection with the preparation of the Company's financial statements, including an analysis of the effect of alternative GAAP methods on the statements and a description of any transactions in accordance with the relevant accounting standards and requirements.
- e. Discuss with Management and the Auditors the procedures to understand what was done to certify the accuracy of the Company's financial statements and disclosures including a detailed understanding of any potential "material weakness" or "significant deficiency" in the design or operation of internal control over financial reporting, and any steps taken to resolve the issue.

**12. Whistleblowing**

The Committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

**13. Process Improvement**

The Audit Committee shall:

- a. On a quarterly basis, review separately with each of Management and the Auditors any significant difficulties encountered during their work, including any restrictions on the scope of work or access to required information.
- b. Review any significant disagreement among Management and the Auditors in connection with the preparation of the financial statements or changes in the planned scope of the audit.
- c. Review any Management letter provided by the Auditors to the Audit Committee and the Company's response to that letter.
- d. Review with the Auditors, Internal Audit and Management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.

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**14. Ethical and Legal Process**

The Audit Committee shall:

- a. Review with the Company's Finance Director and counsel, any legal or compliance matter that could have a significant impact on the Company's financial statements, including any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements, accounting policies or compliance with laws and regulations.
- b. Prepare any reports required by the London Stock Exchange (AIM) to be included in the Company's annual proxy statement.
- c. Establish complaint procedures regarding the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. It is the responsibility and requirement of Management to inform the Audit Committee about any knowledge of material fraud or material suspected fraud. If any fraud or suspected fraud is within top Management of the Company, it should be reported immediately to the Audit Committee.
- d. Perform any other activities consistent with this Charter, the Company's Articles of Association and governing law, as the Committee deems necessary or appropriate.
- e. Notwithstanding any of the foregoing, the potential legal liability of the Committee members shall be no greater than that of other members of the Board.

**15. Evaluation**

The Audit Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of Management and the Auditors.