

McBRIDE PLC (“THE COMPANY”)

POLICY ON THE USE OF THE EXTERNAL AUDITORS FOR NON-AUDIT SERVICES

Introduction

This document details the Company’s policy in relation to the provision of non-audit services by the external auditors (“the Auditors”) on behalf of the Company and its subsidiaries (“the Group”) and outlines the control processes that are in place to ensure compliance with this Policy.

Purpose

The overriding aims of this Policy are:

- (a) to preserve the independence of the Auditors in performing the statutory audit, and
- (b) to avoid any conflict of interest by clearly detailing the types of work that the Auditors can and cannot undertake.

The Policy specifies the type of non-audit work:-

- for which the Auditors can be engaged without referral to the audit committee;
- for which a case-by-case decision is necessary;
- from which the Auditors are excluded.

The Policy aims to ensure that in providing non-audit services the Auditors do not:

- Audit their own work;
- Make management decisions for the Company or any of its subsidiaries;
- Create a mutuality of interest; or
- Find themselves in the role of advocate for the Company or any of its subsidiaries.

The Policy also clarifies responsibilities for the agreement of fees payable for non-audit work.

In this context, the audit committee will consider:

- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service;
 - whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
 - the nature of the non-audit services;
 - the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee; and the criteria which govern the compensation of the individuals performing the audit.
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1. Permitted Non Audit Services

1.1. Certain non-audit services are required by legislation or contract to be undertaken by the Auditors. The Executive Directors can therefore employ the Auditors to provide these services without reference to the Audit Committee. These include:-

- Regulatory returns e.g. to the Financial Services Authority, Inland Revenue, etc
- Legal requirements to report on matters such as share issues for non-cash consideration, expenditure for grant purposes, etc
- Contractual requirements, for example to report to lenders or vendors on net assets, covenant requirements etc
- Assistance in responding to any regulator letters
- Consultations with the company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or standard setting bodies

1.2. In addition, there are certain services that are best provided by the Auditors because of their existing knowledge of the business, or because the information required is a by-product of the audit process. These include:

- Ad hoc advice on general business/compliance issues such as taxation (VAT, ACT, PAYE), transfer pricing, Stock Exchange reporting
- Advice on tax accounting entries and recent tax developments
- Work that is the by-product of the audit process, for example, providing comments on weaknesses in the internal control systems, and means of addressing them
- Services that the Auditors are not required by law to undertake, but where the information largely derives from the audited financial records
- Tax compliance, where much of the information derives from the audited financial records
- "Short form" or other reports in acquisition or reorganisation situations where completion is necessary in a very short time
- Due diligence services pertaining to potential business acquisitions/dispositions
- Closing balance sheet audits pertaining to acquisitions or disposals
- Financial statement audits of employee benefit plans

2. Non-Audit Work permitted in certain circumstances:

This section details the types of further services that the Auditors, subject to the provisions of this section, can provide to the Group but where allocation of the work should be carefully considered on a case-by-case basis.

The services detailed below can be provided by a number of firms, and unless the work falls in to one of the categories listed in Section 1, the fact that the firm is the Group's auditor is incidental.

The Executive Directors have the authority to commission the Auditors to undertake non-audit work where this is a specific project with a cost not exceeding the lower of £50,000 or 15% of the estimated annual level of the Auditors' fees at that time. This work should be reported to the Audit Committee at its next meeting. If the cost is likely to exceed £50,000 or 15% of the estimated fee, as appropriate, the agreement of the Chairman of the Audit Committee is required before the work is commissioned.

For all work where the fees are expected to be greater than £100,000, allocation of the work shall automatically be subject to a tender process, with the decision of which firm to appoint being made by the Audit Committee, unless there are exceptional circumstances, which in the opinion of the Audit Committee would mean a tender process is unviable.

If it is not possible to obtain full Audit Committee approval in advance of the need to make a decision on the allocation of work referred to in this section, the Group Finance Director shall agree progress with the Chairman of the Audit Committee and the decision shall be submitted for ratification at the next Board meeting.

In deciding whether to appoint the Auditors to carry out the services detailed in this section, the principal consideration should be to ensure that the provision of the service does not impair the Auditor's independence or objectivity. If there is perceived to be such a threat then the Audit Committee must satisfy itself that there are adequate safeguards in place to ensure that the threat to auditor independence is eliminated, or reduced to an acceptable level.

The services to which the provisions of this section shall apply are:-

2.1 Internal Audit

Operational internal audit services unrelated to the accounting controls, financial systems or financial statements.

2.2 IT Services

Engagements to design, provide or implement information technology systems that are not important to any significant part of the accounting system or to the production of the financial statements and do not have significant reliance placed upon them by the auditors.

Provision of "off the shelf packages", including basic set-up procedures, setting up the chart of accounts and the entry of standard data.

2.3 Valuation Services

Situations where auditors are designated by legislation or regulation as being eligible to carry out a valuation.

Accounting advice on valuation matters during the audit, and verification of data to be used in a valuation performed by others.

2.4 Actuarial Valuation Services

Services where the Group's management make all significant judgements including assumptions, or the amount is immaterial to the financial statements.

2.5 Litigation Support

Acting as an expert witness, for example, in matters relating to forensic accounting, interpretation of Accounting Standards principles, etc.

2.6 Remuneration Services

Advice on the split between different elements of remuneration, but not advice on actual amounts of remuneration, for directors and senior executives.

Recruitment services for personnel other than key management or directors.

2.7 Corporate Finance & Transaction Based Services

Due diligence work in respect of matters which do not have a direct significant and subjective impact on subsequently audited accounts.

Providing assistance in developing corporate strategies, identifying possible sources of capital and advice on analysing the accounting effects of proposed transactions.

2.8 Accounting Services

Provision of accounting services in emergency situations, subject to approval of the Audit Committee (irrespective of the fees involved), eg. Disaster recovery claims, etc.

2.9 Overseas Subsidiaries

Provision of accounting and/or taxation services in connection with the establishment of new overseas subsidiaries of the Group.

2.10 Other Services

Provision of administration, company secretarial and other incidental services where there is no perceived threat to auditor independence and no conflicts of interest arise.

3. **Non Audit Services that cannot be provided by the Auditors**

Certain services are recognised as being of a type that cannot be provided by the Auditors without the possibility of compromising their independence. The following services therefore should not be provided by the Auditors:-

3.1 Internal Audit

The Auditors cannot be engaged to provide internal audit services if, for the purposes of the audit of the financial statements, they would need to place significant reliance on the internal audit work or if the audit firm would take a management role as a result of undertaking the internal audit work.

3.2 IT Services

The Auditors cannot be engaged to design, provide or implement information technology systems where the systems concerned would be important to any significant part of the accounting system or to the production of the financial statements and the Auditors would place significant reliance on them as part of the audit of the financial statements; or for the purposes of the provision of information technology services, the audit firm would undertake part of the role of management.

3.4 Valuation Services

Services that involve highly subjective judgements and are material to the financial statements.

3.5 Taxation Services

If tax services that are provided on a contingency fee basis and if those fees are material to the audit firm (or relevant part thereof) or the outcome of the tax service is dependent on uncertain application of laws or on current or future audit judgements relating to a material balance.

If the engagement would involve the audit firm undertaking a management role.

If the establishment of specific tax planning schemes could lead to conflict of interest on the statutory audit.

The Auditors cannot act as an advocate before a tax tribunal or court, if the issue is material to the financial statements; or dependent on a future or contemporary audit judgement.

3.6 Litigation Support

If the work would involve the estimation of likely outcome of pending legal matter that could be material to amounts to be included in disclosures in financial statements and there is a significant degree of subjectivity involved.

3.7 Recruitment & Remuneration Services

The Auditor cannot be used to provide recruitment services for directors and key management positions at the Company or its subsidiaries.

The Auditor cannot be used to provide advice on the quantum of the remuneration package or the measurement criteria on which the quantum is calculated for directors or key management.

3.8 Corporate Finance

Services that would involve the audit firm taking responsibility for dealing in, underwriting or promoting shares; or

Services that would depend on questionable accounting treatment, or on a contingent fee basis if material to audit firm, or the outcome involves a future or contemporary audit judgement relating to a material balance in the financial statements.

If engagement would involve the audit firm undertaking a management role.

3.9 Accounting Services

Maintenance of accounting records or the preparation of financial statements that are then subject to audit.

4. General

4.1 The Audit Committee will ensure that the Auditors annually formally report to the Audit Committee and the Board on the safeguards that are in place to maintain their independence as auditors and on the internal safeguards that they have in place to ensure their objectivity in carrying out non audit services.

4.2 The Company's annual report shall explain to shareholders how, if the Auditor provides non-audit services, auditor objectivity and independence is safeguarded.
