

MIRLAND DEVELOPMENT CORPORATION PLC

CORPORATE GOVERNANCE

- **Terms of reference of the Audit, Remuneration and Nomination Committees**
- **Schedule of matters specifically reserved for decision by the full board**
- **Procedure for directors to take independent professional advice**

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PART A

Terms of reference of the Audit Committee

As MirLand Development Corporation plc (the "Company") is an AIM company, the Combined Code does not apply. However, the Board of Directors wish to adhere to the spirit of the Combined Code and to this extent have paid particular reference to the guidelines of the Quoted Companies' Association ("QCA Guidelines") in establishing the basis for the standard of corporate governance which the Company will maintain.

1 Membership

- 1.1 The board of directors of the Company (the "Board") has resolved to establish a committee of the Board to be known as the Audit Committee.
- 1.2 Membership of the Audit Committee shall consist of at least three members, each being an independent non-executive director. At least one member of the Audit Committee should have recent and relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.
- 1.3 The members of the Audit Committee for the time being shall be appointed and replaced by the Board in accordance with the Company's Articles of Association but on the recommendation of the Nomination Committee and in consultation with the chairman of the Audit Committee.
- 1.4 The following persons are ineligible to be members of the Audit Committee: the chairman of the Board, any controlling shareholder of the Company, any relative of a controlling shareholder of the Company and any director employed by the Company or who provides services to the Company on a regular basis (other than as a director).
- 1.5 Subject to the normal periodic re-election of directors and the directors' term of office, a member of the Audit Committee shall serve an initial term of up to three years which may be extended by no more than two additional three year periods, so long as the member continues to be independent.
- 1.6 The "independence" of the members is adjudged by the Board in accordance with the principles set out in the Combined Code on Corporate Governance from time to time, and the requirements of any applicable legislation and regulation.

- 1.7 Any member of the Audit Committee with a financial interest in matters being considered by it shall inform the rest of the Audit Committee of this interest and abstain from voting in that matter but shall be counted in the quorum.

2 **Quorum**

A quorum shall be two members of the Audit Committee. Subject to any provisions in the Articles of Association, reasonable efforts shall be made to give notice of meetings of the Audit Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend. A meeting at which quorum is present may be convened without prior notice if all members have consented.

3 **Chairman**

- 3.1 On the recommendation of the Nomination Committee, the Board shall appoint one of the members of the Audit Committee to be chairman of the Audit Committee. If the chairman is not present at a meeting of the Audit Committee, then the remaining members present shall elect one of their number to chair the meeting.
- 3.2 Save where the chairman has a financial interest, if a resolution of the Audit Committee is undecided the chairman shall have a casting vote.
- 3.3 The chairman of the Audit Committee shall be available to answer questions through the chairman of the Board on the report on the Audit Committee's activities and matters falling within its terms of reference at the annual general meeting of the Company.

4 **Attendance**

- 4.1 No one other than the chairman of the Audit Committee and its members is entitled to be present at a meeting of the Audit Committee. Attendance at meetings of the Audit Committee by non-members, such as the chairman of the Board, the chief executive officer and other members of the Board, shall be at the discretion of the Audit Committee, but the finance director and the Company's auditor and its internal auditors (if any) will regularly be invited to attend all or part of any ***meetings of the Audit Committee. The Audit Committee shall each year have at least one meeting, or part of a meeting, with the Company's auditor and its internal auditors (if any) without any member of the Company's management present to discuss matters relating to the remit of the Audit Committee and any issues arising from the audit.

4.2 The compliance officer, or such other person nominated by the Board to act as such from time to time (for the purposes of these terms of reference hereinafter to be referred to as the "compliance officer"), shall be the secretary of the Audit Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues. The compliance officer shall prepare minutes of the Audit Committee meetings and, after approval and signature by the chairman of the Audit Committee, shall circulate them to all members of the Audit Committee, any invited attendees to the chairman and other members of the Board.

5 **Frequency of meetings**

5.1 The Audit Committee shall meet as frequently as the chairman, in consultation with the compliance officer, shall require and also at regular intervals to deal with routine matters and, in any event, not less than four times in each financial year. Any member of the Audit Committee, the Company's auditor or its internal auditors (if any) may request a meeting if he/she considers that one is necessary or expedient. The chairman of the Audit Committee should convene a meeting upon the request of the Company's auditor or the internal auditors if he deems it appropriate.

5.2 Meetings will be arranged to coincide with key dates within the Company's financial reporting and audit cycle where appropriate. A sufficient interval should be allowed between meetings of the Audit Committee and meetings of the Board to allow any work arising from a meeting of the Audit Committee to be carried out and reported to the Board as appropriate.

6 **Authority**

6.1 The Audit Committee should be provided with sufficient resources to undertake its duties and shall have access to the services of the compliance officers/Company secretariat on all Audit Committee matters including (but not limited to) assisting the chairman in planning the Audit Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of practical support.

6.2 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or director of the Company, or any consultant or other provider of services to the Company. All employees, directors, consultants and other providers of

services are directed to co-operate with requests for information made by the Audit Committee including requests to attend meetings of the Audit Committee.

- 6.3 The Audit Committee is authorised by the Board at the cost of the Company to obtain any outside legal, accounting or other independent professional advice as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient. The Audit Committee shall have access to the Company's auditors as required.

7 **Responsibilities**

The Audit Committee has the responsibilities set out below for the Company and also for its major subsidiary undertakings and for the group as a whole as appropriate.

The Audit Committee shall:

- 7.1 satisfy itself that the annual accounts, the preliminary statement of financial results, the interim statement of financial results, announcements relating to the Company's financial performance and any other major financial statements issued by the Company follow generally accepted accounting principles and give a fair and meaningful account of the affairs of the Company, of its subsidiary undertakings and of the group as a whole as appropriate. The Audit Committee should review significant financial reporting judgments contained in these statements and announcements. The Audit Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price-sensitive nature. The requirements of this paragraph should be met whenever practicable (without being inconsistent with any requirement for prompt reporting under the rules published by the London Stock Exchange plc governing admission to and regulation of companies admitted to AIM (the "AIM Rules"));
- 7.2 satisfy itself that matters raised by its members or the Company's auditor or the Company's internal auditors (if any) about any aspect of the accounts or of the Company's control and audit procedures are appropriately considered and, if necessary, brought to the attention of the Board and resolved;
- 7.3 review the annual financial statements of the Company's pension funds where they are not reviewed by the Board as a whole;

- 7.4 consider and make appropriate recommendations to the Board for the shareholders to consider at the annual general meeting relating to the appointment, remuneration, reappointment and removal of the Company's auditor. The Audit Committee shall oversee the process for selecting a new Company auditor. If the Company's auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and shall decide whether any action is required;
- 7.5 if the Board does not accept the Audit Committee's recommendation on the appointment, re-appointment and removal of the Company's auditors, prepare a statement explaining the Audit Committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the Board's reasons for taking a different position;
- 7.6 meet with the Company's auditor to discuss and review, before the start of each annual audit, the nature and scope of the audit, the annual audit plan (in order to ensure that it is consistent with the scope of the audit engagement) and the level of the audit fee (in order to ensure that it is appropriate to enable an adequate audit to be conducted). The Audit Committee shall, taking into consideration relevant UK and Cypriot professional and regulatory requirements, discuss annually with the Company's auditor its qualifications, expertise, resources, independence and objectivity and the effectiveness of the audit process. The Audit Committee shall ensure that key partners within the appointed firm are rotated at appropriate intervals. Meetings with the Company's auditor shall not be attended by the executive directors;
- 7.7 satisfy itself that there are no family, employment, investment, financial, business or other relationships between the auditor and the Company other than in the ordinary course of business. The Audit Committee shall agree with the Board and monitor and implement a policy on the employment of former employees of the Company's auditor;
- 7.8 ensure co-ordination where more than one audit firm is involved;
- 7.9 request and review an annual report from the Company's auditor on its quality control procedures and review steps taken by the Company's auditor to respond to changes in regulatory and other requirements;
- 7.10 recommend to the Board the audit fee and approve the terms of engagement of the Company's auditor. The Audit Committee shall approve in advance any fees in respect of non-audit services provided by the Company's auditor. The Audit

Committee shall review, monitor and implement a policy on the engagement of the Company's auditor to supply other professional services to the Company and its subsidiary undertakings to ensure that the Company's auditor continues to be objective and remains independent from the Company's management whilst still providing value for money. The Audit Committee shall take into account relevant ethical guidance;

7.11 review any representation letter requested by the Company's auditor before it is signed by any member of the management of the Company, giving particular consideration to matters where representation has been requested that relates to non-standard issues;

7.12 review the Company's auditor's management letter and the response of the Company's management to it;

7.13 meet with the Company's auditor to discuss and review the findings of the audit. This shall include (but not be limited to) a discussion of:

7.13.1 any major issues which arise during the audit;

7.13.2 any accounting and audit judgments; and

7.13.3 levels of errors identified during the audit;

7.14 review the Company's arrangements for its employees to raise concerns in confidence about possible wrong-doing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of these matters and appropriate follow up action;

7.15 review, and challenge where necessary, the actions and judgments of the Company's management in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:

7.15.1 critical accounting policies and practices, any changes in them and the consistency of them on a year-on-year basis both across the Company and across the group (as appropriate);

7.15.2 decisions requiring a major element of judgment taking into account the view of the Company's auditor;

7.15.3 the extent to which the financial statements are affected by any significant or unusual transactions in the year under review, how they

- are accounted for where different approaches are possible and how they are disclosed;
- 7.15.4 the clarity of disclosures and the context in which statements are made;
 - 7.15.5 significant adjustments resulting from the audit;
 - 7.15.6 the going concern assumption;
 - 7.15.7 compliance with accounting standards taking into account the view of the Company's auditor;
 - 7.15.8 compliance with stock exchange and other legal and regulatory requirements;
 - 7.15.9 reviewing all material information presented with the financial statements to the extent that it relates to audit and risk management, including the relevant sections (if any) of the operating and financial review and the corporate governance statement prior to endorsement by the Board; and
 - 7.15.10 reviewing the policies and process for identifying and assessing business risks and the management of those risks by the Company;
 - 7.15.11 the Company's tax planning policy;
- 7.16 discuss problems and reservations arising from the interim and final audits, and any matters the Company's auditor may wish to discuss (in the absence of the Company's management where necessary);
 - 7.17 consider the Company's management's response to any major external or internal audit recommendations;
 - 7.18 monitor and review the effectiveness of the Company's financial reporting and controls and its systems for internal control and risk management (for both financial and non-financial risks). The Audit Committee shall review management's and the internal auditor's reports on the effectiveness of these systems and shall review and approve the statements on internal control and risk management to be included in the Company's annual report prior to its endorsement by the Board;

- 7.19 monitor and review the effectiveness of the internal audit function in the context of the Company's risk management system, its remit and the annual internal audit plan, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate access to information to enable it to be effective and comply with relevant professional standards;
- 7.20 ensure that the internal audit function has appropriate standing within the Company and is free from management or other restrictions;
- 7.21 review promptly all reports on the Company from the internal auditor and ensure that the head of internal audit has direct access to the chairman of the Board and to the Audit Committee;
- 7.22 approve the appointment or removal of the head of internal audit;
- 7.23 where no such internal audit function exists, review annually the need for one and make an appropriate recommendation to the Board;
- 7.24 where appropriate, consider requests from directors wishing to take independent professional advice in the furtherance of their duties at the cost of the Company;
- 7.25 institute special projects or investigations on any matter within the Audit Committee's terms of reference as it sees fit, following consultation with the finance director. The Audit Committee shall be provided with the necessary resources to access information for these purposes. The Audit Committee shall review any significant findings of internal investigations and management's response. Additionally, it shall consider from time to time whether any special remit should be referred to the Company's auditor or to any other external body;
- 7.26 make available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
- 7.27 ensure that it receives appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 7.28 give due consideration to and compliance with legal and regulatory requirements, the provisions of the QCA Guidelines and the requirements of the AIM Rules as appropriate; and
- 7.29 consider any other matter specifically referred to the Audit Committee by the Board.

8 Reporting procedures

- 8.1 The chairman of the Audit Committee shall report to the Board after each meeting on all matters within its terms of reference. The Audit Committee shall identify any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.
- 8.2 A summary of the Audit Committee's duties and work, including the membership of the committee, the number of committee meetings held, attendance over the course of the year and reference to examination of the annual accounts, shall be included each year in the Company's annual report, preparation of which the Audit Committee shall assist with.
- 8.3 The Audit Committee shall conduct an annual review of its constitution, its performance and effectiveness, its work and these terms of reference and make recommendations to the Board for approval.
- 8.4 The chairman or at least one other member of the Audit Committee shall attend the meeting of the Board at which the accounts are approved.
- 8.5 All members of the Audit Committee should attend each of the annual general meetings of the Company and the chairman of the Audit Committee should be available to answer any questions referred to him/her by the chairman of the Board.

PART B

Terms of reference of the Remuneration Committee

As MirLand Development Corporation plc (the "Company") is an AIM company, the Combined Code does not apply. However, the Board of Directors wish to adhere to the spirit of the Combined Code and to this extent have paid particular reference to the guidelines of the Quoted Companies' Association ("QCA Guidelines") in establishing the basis for the standard of corporate governance which the Company will maintain.

1 Membership

- 1.1 The Board has resolved to establish a committee of the Board to be known as the Remuneration Committee.
- 1.2 Membership of the Remuneration Committee shall consist of at least three members, each being an independent non-executive director. No more than one member of the Remuneration Committee shall be a member of the management board of another Cypriot listed Company.
- 1.3 The members of the Remuneration Committee for the time being shall be appointed by the Board in accordance with the Company's Articles of Association but on the recommendation of the Nomination Committee and in consultation with the chairman of the Remuneration Committee.
- 1.4 Subject to the normal periodic re-election of directors and the directors' term of office and unless replaced by the Board following the procedure set out in paragraph 1.3 above, a member of the Remuneration Committee shall serve a term of up to three years which may be extended by no more than two additional three year periods, so long as the member continues to be independent.
- 1.5 The "independence" of the members is adjudged by the Board in accordance with the requirements of any applicable legislation and regulation.
- 1.6 Any member of the Remuneration Committee with a financial interest in matters being considered by it shall inform the rest of the committee of this interest and abstain from voting in that matter but shall be counted in the quorum.

2 Quorum

A quorum shall be two members of the Remuneration Committee present or in person or by telephone, if applicable. Subject to the Articles of Association, reasonable

efforts shall be made to give notice of meetings of the Remuneration Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend. A meeting at which quorum is present may be convened without prior notice if all members have consented.

3 Chairman

3.1 The Board shall appoint one of the members of the Remuneration Committee to be the chairman of the Remuneration Committee. The Remuneration Committee shall not be chaired by the chairman of the Board or by a non-executive board member who is an executive member of the management board of another Cypriot listed Company. If the chairman is not present at a meeting of the Remuneration Committee, then the remaining members present shall elect one of their number to chair the meeting.

3.2 Where a resolution of the Remuneration Committee is undecided the chairman shall have a casting vote, save where the chairman has a personal interest in the matter.

3.3 The chairman of the Remuneration Committee shall be available to answer questions through the chairman of the Board on the report on the Remuneration Committee's activities and matters falling within its terms of reference at the annual general meeting of the Company. All members of the Remuneration Committee shall also attend the annual general meeting.

3.4 The chairman of the Remuneration Committee shall report to the Board to enable it to report to the Company's shareholders on remuneration matters as specified in the AIM Rules and the QCA Guidelines.

4 Attendance

4.1 No one other than the chairman of the Remuneration Committee and its members is entitled to be present at a meeting of the Remuneration Committee. Attendance at meetings of the Remuneration Committee by non-members, the chairman of the Board, the chief executive officer and other members of the Board shall be at the discretion of the Remuneration Committee.

4.2 The chairman of the Board and/or chief executive officer of the Company may be invited to attend meetings of the Remuneration Committee to advise its members and shall be invited to discuss the performance of the other executive directors and to make proposals as necessary.

4.3 Professional advisers and other persons with relevant experience, including other executive directors of the Company and the head of human resources, may attend all meetings or part of a meeting of the Remuneration Committee by invitation provided that no person shall attend during the Remuneration Committee's deliberations concerning that person's own remuneration nor shall he/she be involved in any decision as to his/her own remuneration. Where remuneration consultants are appointed, a statement should be made available of whether they have any other connections with the Company.

4.4 The compliance officer or such other person nominated by the Board to act as such from time to time shall be the secretary of the Remuneration Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues. The compliance officer shall prepare minutes of the Remuneration Committee meetings and, after approval and signature by the chairman of the Remuneration Committee, shall circulate them to all members of the Remuneration Committee any invited attendees, if applicable, and to the chairman and other members of the Board, unless a conflict of interest exists.

5 **Frequency of meetings**

The Remuneration Committee shall meet as frequently as the chairman, in consultation with the compliance officer, shall require and also at regular intervals to deal with routine matters and, in any event, at least twice in each financial year. Any member of the Remuneration Committee may request a meeting if he/she considers that one is necessary or expedient. Formal meetings, for example, in relation to the formal grant of employee share options, may be held by telephone.

6 **Authority**

6.1 The Remuneration Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or director of the Company or any consultant or other provider of services to the Company. All employees, directors, consultants and other providers of services are directed to co-operate with requests for information made by the Remuneration Committee including requests to attend meetings of the Remuneration Committee.

6.2 The Remuneration Committee is authorised by the Board at the cost of the Company to obtain such outside legal or other independent professional advice (including the advice of independent remuneration consultants, as well as information about remuneration practices elsewhere) as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient.

7 **Purpose**

7.1 The purpose of the Remuneration Committee is to:

7.1.1 set the remuneration of the executive directors of the Company, the chairman of the Board and such other members of the executive management as it is designated to consider;

7.1.2 demonstrate to the shareholders of the Company that the remuneration of the principal executive directors of the Company and other senior members of the executive management of the Company and its subsidiaries is set by a committee of the Board whose members have no personal interest in the outcome of the decisions of the Remuneration Committee and who will have due regard to the interests of shareholders; and

7.1.3 to the extent that an executive director shall sit upon the Remuneration Committee or may be invited to join meetings of the Remuneration Committee as appropriate, he shall absent himself and take no part in any discussions concerning his own remuneration or other benefits or matters within the province of the Remuneration Committee.

8 **Responsibilities**

8.1 The Remuneration Committee shall:

8.1.1 determine and agree with the Board the framework or broad policy for the remuneration of the chief executive officer, the chairman of the Board of the Company and such other members of the executive management as it is designated to consider. The Remuneration Committee should ensure that appropriate incentives are used to enhance the performance of the executive management and to ensure that they are rewarded in a fair and responsible manner for their

individual contributions to the success of the Company. At a minimum, the committee should have delegated responsibility for setting remuneration for all executive directors, the chairman of the Board and, to maintain and assure his/her independence, the compliance officer. The remuneration of non-executive directors shall be a matter for the chairman of the Board and executive members of the Board. No director or manager should be involved in any decisions as to his/her own remuneration;

- 8.1.2 review the framework or broad policy for remuneration to ensure it remains appropriate and relevant;
- 8.1.3 approve the design of and determine targets for any performance-related pay schemes operated by the Company and approve the total annual payments made under the schemes;
- 8.1.4 review the design of and changes to all share incentive plans for approval by the Board and, if necessary, shareholders. The Remuneration Committee shall determine whether awards will be made, the overall amount of the awards, the individual awards to members of the executive management and the relevant performance targets. The Remuneration Committee shall exercise any discretion allowed under the plans and applicable law on behalf of the Board;
- 8.1.5 determine the policy for and scope of pension arrangements for members of the executive management;
- 8.1.6 ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 8.1.7 within the terms of the agreed policy and in consultation with the chairman of the Board and/or chief executive officer, as appropriate, determine the total individual remuneration package of each member of the executive management including, where appropriate, bonuses, incentive payments and share options or other share awards;
- 8.1.8 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations

- in the QCA Guidelines, the Combined Code as well as the AIM Rules and associated guidance;
- 8.1.9 monitor and review annually the remuneration trends across the Company and the group;
 - 8.1.10 be aware of and advise on any major changes in employee benefit structures throughout the Company or the group;
 - 8.1.11 agree the policy for authorising claims for expenses from the chief executive officer and the chairman of the Board;
 - 8.1.12 ensure that guidelines regarding disclosure of remuneration, including pensions, as suggested in the QCA Guidelines, are followed;
 - 8.1.13 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee;
 - 8.1.14 obtain information about remuneration in other companies that is reliable and up-to-date. The Remuneration Committee shall have full authority to commission any reports or surveys it requires to meet its responsibilities;
 - 8.1.15 make available its terms of reference explaining clearly its role and the authority delegated to it by the Board; and
 - 8.1.16 consider any other matter specifically referred to the Remuneration Committee by the Board.
- 8.2 The Remuneration Committee shall have authority to approve and authorise the execution of all documents (including service contracts) and do all things as may be necessary or desirable for the purpose of carrying out its responsibilities.
- 8.3 The Remuneration Committee shall not be authorised to appoint or terminate the employment of directors or senior executives or to determine the remuneration of non-executive directors. It shall not be responsible for making nominations to the Board.

9 **Reporting procedures**

- 9.1 The chairman of the Remuneration Committee shall report to the Board after each meeting on all matters within its terms of reference. The Remuneration Committee shall identify any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.
- 9.2 A summary of the Remuneration Committee's duties and work, including the membership of the committee, the number of committee meetings held and attendance over the course of the year shall be included each year in the Company's annual report, as well as of any specific remuneration report to be contained in such annual report, the preparation of which the Remuneration Committee shall assist with.
- 9.3 The Remuneration Committee shall conduct an annual review of its constitution, its performance and effectiveness, its work and these terms of reference and make recommendations for any changes to the Board for approval.

PART C

Terms of reference of the Nomination Committee

As MirLand Development Corporation plc (the "Company") is an AIM company, the Combined Code does not apply. However, the Board of Directors wish to adhere to the spirit of the Combined Code and to this extent have paid particular reference to the guidelines of the Quoted Companies' Association ("QCA Guidelines") in establishing the basis for the standard of corporate governance which the Company will maintain.

1 Membership

- 1.1 The Board has resolved to establish a committee of the Board to be known as the Nomination Committee.
- 1.2 Membership of the Nomination Committee shall consist of at least three members, a majority of whom shall be independent non-executive directors.
- 1.3 The members of the Nomination Committee for the time being shall be appointed and replaced by the Board in accordance with the Company's Articles of Association.
- 1.4 Subject to the normal periodic re-election of directors and the directors' term of office, a member of the Nomination Committee shall serve a term of up to three years which may be extended by no more than two additional three year periods, so long as the majority of members remain independent.
- 1.5 The "independence" of the members is adjudged by the Board in accordance with the requirements of any applicable legislation and regulation.
- 1.6 Any member of the Nomination Committee with a financial interest in matters being considered by it shall inform the rest of the committee of this interest and abstain from voting in that matter but shall be counted in the quorum.

2 Quorum

A quorum shall be two members of the Nomination Committee, both of whom must be independent non-executive directors. Subject to the Articles of Association, reasonable efforts shall be made to give notice of meetings of the Nomination Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend. A meeting at which quorum is present may be convened without prior notice if all members have consented. No member of the

Nomination Committee shall attend or form part of the quorum in relation to any appointment in which he/she has a personal interest.

3 Chairman

- 3.1 The Board shall appoint the chairman of the Board or an independent non-executive director to be the chairman of the Nomination Committee. If the chairman of the Board is appointed chairman of the Nomination Committee, he/she should not chair the Nomination Committee when it is dealing with the appointment of a successor to his/her chairmanship. If the chairman is not present at a meeting of the Nomination Committee, then the remaining members present shall elect one of their number to chair the meeting.
- 3.2 Where a resolution of the Nomination Committee is undecided the chairman shall have a casting vote. save where the chairman has a personal interest in the matter.
- 3.3 The chairman of the Nomination Committee shall be available to answer questions through the chairman of the Board on the report on the Nomination Committee's activities and matters falling within its terms of reference at the annual general meeting of the Company. All members of the Nomination Committee shall also be attend the annual general meeting.

4 Attendance

- 4.1 No one other than the chairman of the Nomination Committee and its members is entitled to be present at a meeting of the Nomination Committee. Attendance at meetings of the Nomination Committee by non-members, the chairman of the Board (if not a member), the chief executive officer and other members of the Board shall be at the discretion of the Nomination Committee.
- 4.2 The compliance officer or such other person nominated by the Board to act as such from time to time shall be the secretary of the Nomination Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues. The compliance officer shall prepare minutes of the Nomination Committee meetings and, after approval and signature by the chairman of the Nomination Committee, shall circulate them to all members of the Nomination Committee, and other attendees and to the chairman and other members of the Board, unless a conflict of interest exists.

5 **Frequency of meetings**

The Nomination Committee shall meet as the chairman, in consultation with the compliance officer, shall require and also at regular intervals to deal with routine matters and, in any event, not less than twice in each financial year. Any member of the Nomination Committee may request a meeting if he/she considers that one is necessary or expedient.

6 **Authority**

6.1 The Nomination Committee is authorised by the Board to investigate any activity within its terms of reference. The Nomination Committee is authorised to seek any information it requires from any employee or director of the Company or any consultant or other provider of services to the Company. All employees, directors, consultants and other providers of services are directed to co-operate with requests for information made by the Nomination Committee including requests to attend meetings of the Nomination Committee.

6.2 The Nomination Committee is authorised by the Board at the cost of the Company to obtain such outside legal or other independent professional advice, including employing search consultants, as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient.

7 **Responsibilities**

7.1 The Nomination Committee shall:

7.1.1 lead the selection process of candidates and propose to the Board any new Board appointments, whether of executive or non-executive directors;

7.1.2 in nominating directors, give due regard to the contents of the QCA Guidelines and the Combined Code as well as the AIM Rules and associated guidance and any Cypriot law regulations;

7.1.3 be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise;

- 7.1.4 before making an appointment, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- 7.1.5 for the appointment of a chairman of the Board, prepare a job specification, including an assessment of the time commitment expected and recognising the need for availability in the event of crises;
- 7.1.6 review annually and articulate the time needed to fulfil the role of chairman of the Board, senior independent director and non-executive director. Performance evaluation should be used to assess whether each member of the Board is spending enough time to fulfil his/her duties;
- 7.1.7 consider candidates from a wide range of backgrounds. In identifying suitable candidates, it should use open advertising or the services of external advisers to facilitate the search and consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- 7.1.8 give full consideration to succession planning for the executive management in the course of its work and supervise the policy of the Board on the selection criteria and appointment procedures for senior management, taking into account the challenges and opportunities facing the Company and what skills and expertise are therefore needed in the future;
- 7.1.9 regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes;
- 7.1.10 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- 7.1.11 keep itself up-to-date and fully informed about strategic issues and commercial changes affecting the Company and the group and the market in which they operate;

- 7.1.12 make available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
 - 7.1.13 ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside of Board meetings; and
 - 7.1.14 consider any other matter specifically referred to the Nomination Committee by the Board.
- 7.2 The Nomination Committee shall make recommendations to the Board concerning:
- 7.2.1 suitable candidates for the role of senior independent director;
 - 7.2.2 plans for succession for executive management, executive and non-executive directors and, in particular, the chairman and the chief executive officer;
 - 7.2.3 the reappointment of any non-executive director at the conclusion of his/her specified term of office having regard to his/her performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
 - 7.2.4 the re-election by shareholders of any director under the retirement by rotation provisions in the Company's articles of association having regard to his/her performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
 - 7.2.5 membership of the Audit and Remuneration Committees, in consultation with the chairmen of those committees;
 - 7.2.6 any matters relating to the continuation in office of any director at any time. The Nomination Committee shall, in particular, make recommendations to the Board concerning matters relating to any director who has reached the age of 70 or the suspension or termination of service of an executive director as an employee of the Company in accordance with the terms of his/her service contract and/or relevant law;

7.2.7 the appointment of any director to any executive or other office other than to the positions of chairman of the Board or chief executive officer, the recommendation in respect of which should be considered at a meeting of the Board; and

7.2.8 compliance with the Combined Code and/ or any regulatory body, the AIM Rules or any other London Stock Exchange plc requirements (where relevant) or any other regulations under Cypriot law.

8 **Reporting procedures**

8.1 The chairman of the Nomination Committee shall report to the Board after each meeting on all matters within its terms of reference. The Nomination Committee shall identify any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken.

8.2 A summary of the Nomination Committee's duties and work shall be included each year in the Company's annual report, including the process used for appointments and an explanation if external advice or open advertising has not been used, the membership of the committee, the number of committee meetings held and attendance over the course of the year, the preparation of which the Nomination Committee shall assist with.

8.3 The Nomination Committee shall conduct an annual review of its constitution, its performance and effectiveness, its work and these terms of reference and make recommendations to the Board for approval.

PART D

Schedule of matters specifically reserved for decision by the full board

In general, the full board of directors of the Company (the "Board") should consider all important management and policy matters in relation to the Company which should include, amongst other things, setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance. The Board should also set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met. Without prejudice to that general rule, the Board has specifically resolved that the following matters should be reserved for decision by it:

1 Strategy and management

- 1.1 Responsibility for the overall management of the group, including:
 - 1.1.1 senior management responsibilities;
 - 1.1.2 establishment of managerial authority limits for smaller transactions;
 - 1.1.3 matters referred to the Board by the board committees;
 - 1.1.4 determining what financial and human resources are required in order for the Company to meet its objectives; and
 - 1.1.5 setting the Company's values and standards.
- 1.2 Approval of the group's long term objectives and commercial strategy, including:
 - 1.2.1 business strategy;
 - 1.2.2 diversification/retrenchment policy;
 - 1.2.3 specific risk management policies including insurance, hedging, borrowing limits and corporate security;
 - 1.2.4 agreement of codes of ethics and business practices; and
 - 1.2.5 avoidance of wrongful or fraudulent trading.
- 1.3 Approval of the annual operating and capital expenditure budgets and any material changes to them.

- 1.4 Oversight of the group's operations ensuring:
 - 1.4.1 competent and prudent management;
 - 1.4.2 sound planning;
 - 1.4.3 an adequate system of internal control;
 - 1.4.4 adequate accounting and other records; and
 - 1.4.5 compliance with statutory and regulatory obligations.
- 1.5 Review of performance in the light of the group's strategy, objectives, business plans and budgets and to ensure that any necessary corrective action is taken.
- 1.6 Extension of the group's activities into new business or geographic areas.
- 1.7 Any decision to cease to operate all or any material part of the group's business.

2 **Structure and capital**

- 2.1 Changes relating to the group's capital structure including reduction of capital, share issues (except under employee share plans), share buy backs including the use of treasury shares.
- 2.2 Major changes to the group's corporate structure.
- 2.3 Changes to the group's management and control structure.
- 2.4 Any changes to the Company's status as a Company whose securities are admitted to trading on AIM, a market operated by the London Stock Exchange plc or its status as a public Company.

3 **Financial reporting and controls**

- 3.1 Approval of statements containing financial information;
- 3.2 Approval of preliminary announcements of interim and final results.
- 3.3 Approval of the annual report and annual and interim accounts including the corporate governance statement and any remuneration report.
- 3.4 Approval of the dividend policy.

- 3.5 Declaration of the interim dividend and recommendation of the final dividend.
- 3.6 Approval of any significant changes in accounting policies or practices.
- 3.7 Discussion of any proposed qualification to the accounts.
- 3.8 Approval of treasury policies including foreign currency exposure and the use of financial derivatives.
- 3.9 Appointment/proposal of the Company's internal auditors and the Company's auditor.
- 3.10 Material changes in banking arrangements including change of bankers, facilities and signatory category limits.

4 **Internal controls**

Ensuring maintenance of a sound system of internal control and risk management including:

- 4.1 receiving reports on, and reviewing the effectiveness of, the group's risk and control processes to support its strategy and objectives;
- 4.2 undertaking an annual assessment of these processes; and
- 4.3 approving an appropriate statement for inclusion in the annual report in relation to internal control and management of risk.

5 **Contracts**

- 5.1 Major capital projects.
- 5.2 Raising new capital and confirmation of major financing facilities.
- 5.3 Contracts which are material strategically or by reason of size entered into by the Company or any subsidiary in the ordinary course of business, for example, bank borrowings above US\$5 million and acquisitions or disposals of fixed assets above US\$15 million.
- 5.4 Contracts of the Company or any subsidiary not in the ordinary course of business, for example, loans and repayments above US\$1 million; foreign currency transactions above US\$1 million; major acquisitions or disposals above US\$1 million.

- 5.5 Major investments including the acquisition or disposal of interests of more than 5 per cent in the voting shares of any Company or the making of any takeover offer.

6 **Communication**

- 6.1 Convening of shareholders' meetings and canvassing shareholder opinion.
- 6.2 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 6.3 Approval of all circulars, prospectuses and admission documents.
- 6.4 Approval of press releases concerning matters decided by the Board and all material public documents of or announcements made by the Company.

7 **Board membership and other appointments**

- 7.1 Changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee.
- 7.2 Ensuring adequate succession planning (including training, development and appraisal) for the Board and senior management.
- 7.3 Appointments and reappointments to and removal from the Board, following recommendations by the Nomination Committee.
- 7.4 Selection of the chairman of the Board and the chief executive officer.
- 7.5 Appointment of the senior independent director.
- 7.6 Establishing and determining the membership and chairmanship of Board committees, including the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee.
- 7.7 Continuation in office of directors at the end of their term of office, when they are due to be re-elected by shareholders at the annual general meeting and otherwise as appropriate.
- 7.8 Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company, subject to the law and their service contract.
- 7.9 Appointment or removal of the compliance officer.

7.10 Appointment, reappointment or removal of the Company's auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.

7.11 Appointments to the boards of subsidiaries.

8 **Remuneration**

8.1 Determining with the Remuneration Committee the remuneration policy for the directors, compliance officer and other members of the executive management.

8.2 Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate.

8.3 The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval.

9 **Delegation of authority**

9.1 The division of responsibilities between the chairman of the Board, the chief executive and other executive directors, which should be in writing.

9.2 Approval and amendment of terms of reference of Board committees, including the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee.

9.3 Receiving reports from Board committees on their activities.

10 **Corporate governance matters**

10.1 Disclosure of directors' interests.

10.2 Transaction with directors or other related parties.

10.3 Undertaking a formal and rigorous review annually of its own performance, that of its committees and of individual directors.

10.4 Determining the independence of directors.

10.5 Considering the balance of interests between shareholders, employees, customers and the community.

10.6 Review of the group's overall corporate governance arrangements.

10.7 Receiving reports on the views of the Company's shareholders.

11 **Policies**

Approval of policies, including:

- 11.1 code of conduct;
- 11.2 share dealing code;
- 11.3 health and safety policy;
- 11.4 environmental policy;
- 11.5 communications policy including procedures for the release of price-sensitive information;
- 11.6 corporate social responsibility policy; and
- 11.7 charitable donations policy.

12 **Constitution of the Company**

- 12.1 Any changes to the Company's corporate structure.
- 12.2 Any changes to the Company's listing.
- 12.3 Implementing any form of financial or capital restructuring.
- 12.4 Increase, reduction, repayment, sub-division, consolidation or variation of the Company's securities or the rights attaching to any of its securities or its share capital.
- 12.5 Offer or grant or agreement to offer or grant any option to subscribe or other right to call for shares in the Company.
- 12.6 Issue or agreement to issue any shares in the Company or any securities convertible into shares of the Company.

13 **Subsidiaries**

- 13.1 The formation of any subsidiaries of the Company.
- 13.2 Acquisition and disposals of any material subsidiaries or material businesses of the Company or of any of its subsidiaries.

13.3 Entering into any contract which could have a material impact on any member of the group.

14 **Other**

14.1 The making of political donations.

14.2 Approval of the appointment of the group's principal professional advisers.

14.3 Prosecution or defence of litigation or arbitration being material to the interests of the group.

14.4 Settlement of litigation or arbitration being material to the interests of the group.

14.5 Approval of the overall levels of insurance for the group including directors' and officers' liability insurance and indemnification of directors.

14.6 Major changes to the rules of the group's pension scheme or changes of trustees or (when this is subject to the approval of the Company) changes in the fund management arrangements.

14.7 The schedule of and any changes to the matters reserved for Board decisions.

Matters which the Board considers suitable for delegation are contained in the terms of reference of its committees.

In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the group.

PART F

Procedure for directors to take independent professional advice

1 Introduction

- 1.1 Occasions may arise when directors have to seek legal or financial advice in furtherance of their duties. Directors are always able to consult the Company's advisers and it is not intended to restrict or discourage this in any way. However, the Board has adopted the procedure set out below for circumstances where a director of the Company considers it necessary to take independent professional advice in the furtherance of his/her duties, at the Company's expense.
- 1.2 Any advice taken will be in his/her capacity as a director, not on behalf of the Company or of the entire Board. Advisers should be notified accordingly. Failure to follow these procedures will mean that the director concerned will be responsible for any costs incurred.
- 1.3 The procedure set out below does not cover advice concerning the personal interests of a director including matters relating to his/her service contract/letter of appointment or his/her dealings in the Company's securities or in relation to disputes with the Company. In such cases, the director concerned will be personally responsible for the cost of obtaining such advice.

2 Procedure

- 2.1 Where a director considers it necessary to take independent professional advice in furtherance of his/her duties, he/she should first consult with the Company's advisers through the compliance officer to clarify their advice and to identify his/her concerns with them directly unless, in the circumstances, he/she reasonably considers that such consultations would be inappropriate.
- 2.2 If:
- 2.2.1 a director reasonably considers it necessary to take professional advice in furtherance of his/her duties from independent advisers and not from the Company's professional advisers; or
 - 2.2.2 following consultations with the Company's advisers or where consultation is reasonably considered to be inappropriate as outlined in paragraph 2.1, the director reasonably considers it necessary to take independent professional advice;

the director may take independent professional advice at the Company's expense (up to a limit of £10,000 excluding Value Added Tax/sales tax (if any) and disbursements or such higher figure as the Board may determine) after first giving notice in writing to the compliance officer of details of the matter on which he/she is proposing to seek advice and the advisers he/she is proposing to consult together with the fee arrangements and an estimate of the costs to be incurred.

2.3 Where either paragraph 2.2.1 or 2.2.2 applies and the expenses of taking independent advice are likely to exceed £10,000 excluding Value Added Tax/sales tax (if any) and disbursements or the higher figure (if any) determined by the Board, the director should discuss his/her concerns with the chairman of the Audit Committee (having first given him/her and the compliance officer notice in writing containing the same details as are required for a notice given under paragraph 2.2) and explain why he/she considers it necessary to take independent professional advice. Following discussions with the director, the chairman of the Audit Committee shall either:

2.3.1 authorise in writing the payment by the Company of the reasonable fees of such independent advisers as he/she approves (with or without a limit at his/her discretion) for advising the director on those matters raised by that director which the chairman of the Audit Committee considers appropriate; or

2.3.2 set out in writing the reasons why he/she considers that there is no arguable case for the Company to pay the cost of obtaining the independent professional advice in question. The director may then require that the matter be considered by the full Audit Committee which shall determine whether or not the director should be authorised to obtain independent professional advice on the matters raised at the Company's expense. Any authority given by the Audit Committee should be in the form of an Audit Committee chairman's authority as set out in paragraph 2.3.1.

2.4 In his/her own case, the chairman of the Audit Committee should discuss his/her concerns with the other members of the Audit Committee (having first given them and the compliance officer notice in writing containing the same details as are required for a notice given under paragraph 2.2) who shall deal with the matter in accordance with the procedure for an Audit Committee chairman's authority as set out in paragraph 2.3.1 or the first sentence of paragraph 2.3.2.

- 2.5 Where a director considers it necessary to seek independent professional advice, the matter will be included on the agenda for every meeting of the Board until the issue requiring independent advice is resolved.