

AUDIT COMMITTEE TERMS OF REFERENCE

These terms of reference are designed to meet the requirements of the Disclosure & Guidance and Transparency Rules (DTR7.1), the UK Corporate Governance Code and follow the guidance issued by the Financial Reporting Council.

DTR 7.1 requires that there must be a body (Audit Committee) which is responsible for monitoring the financial reporting process, monitoring the effectiveness of internal controls, internal audit and risk management systems, monitoring the statutory audit of the annual consolidated accounts and reviewing and monitoring the independence of the statutory auditor, in particular the provision of additional services provided.

The appointment of the statutory auditor must be on the recommendation of the Audit Committee and the Company must disclose the existence, functions and composition of the Audit Committee.

The responsibilities of the Audit Committee should be set out in written terms of reference.

The FRC Guidance on Audit Committees recognises that audit committee arrangements need to be proportionate to the task and will vary according to the size, complexity and risk profile of the Company.

The Audit Committee is appointed by the Board.

Membership and Appointment

The Committee shall be made up of all the independent non-executive directors, at least one of whom shall have recent and relevant financial experience. The Committee shall, as a whole, have competence relevant to the sector in which the Company operates.

The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors. The Chairman shall report to the Board on the Committee's decisions and recommendations.

Any Committee member who fails to remain independent will step down. An independent director is one who meets the AIC guidelines as being independent of any relationships with the investment manager and is declared so by the board.

Quorum

The quorum necessary for the transaction of business shall be two independent non-executive directors.

Attendance at Meetings

Only members of the Committee have the right to attend Committee meetings. However, representatives of the Investment Manager / Administrators, other directors and the external auditors shall attend meetings at the invitation of the Committee.

The external auditors will be invited to attend meetings of the Committee on a regular basis including once at the planning stage before the audit and once after the audit at the reporting stage.

There should be at least one meeting a year, or part thereof, where the external auditors attend without management present to discuss their remit and any issues arising from the audit.

The company secretary shall act as secretary of the Committee.

The Audit Committee will report to the Board on how it has discharged its duties, including significant issues considered in relation to the financial statements and how they were addressed, the effectiveness of the external audit process and the appointment of auditors and any other issues which, in the opinion of the Committee needs action or improvement including recommendations on steps to be taken.

The Chairman of the Committee shall attend the AGM to respond to any questions through the Chairman of the Board which may be raised by shareholders on matters within the Committee's area of responsibility or activities.

Frequency of Meetings

Meetings shall be held at least three times a year, and where appropriate should coincide with key dates in the company's financial reporting cycle. External auditors may request a meeting if they consider that one is necessary.

Authority

The Committee is authorised by the Board to

- Investigate any activity within its terms of reference
- Seek any information that it requires from the investment manager or any other supplier to the Company in order to perform its duties and
- Obtain, at the expense of the Company, outside legal or other independent professional advice on any matters within its terms of reference and such advisors may attend a meeting as necessary
- Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- Have the right to publish in the annual report details of any issues that cannot be resolved between the Committee and the Board.

Duties and Responsibilities

The Committee should carry out the duties outlined below for the Company.

1. External Auditors

The Committee shall have primary responsibility for making recommendations to the Board in relation to the appointment, re-appointment and removal of the company's external auditor

- Be responsible for the selection process of the external auditor by tender (at least every 10 years), rotation or by way of casual vacancy and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required
- Oversee the relationship with the external auditor, including approval of their remuneration and its appropriateness given the quality of work; approval of the scope of the audit work; approval of the terms of engagement; pre-approval of any non-audit work provided by the auditor and the fees in respect of non audit services in line with the non-audit services policy
- and influence the appointment of the engagement partner. Assess annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the auditor on their own quality control procedures.
- Assess annually their independence and objectivity, taking into account relevant UK professional and regulatory requirements (including compliance with ethical standards) and the relationship with the auditor as a whole including the provision of any non audit services.

- Satisfy itself that there are no relationships (such as family, employment, investment, financial or otherwise) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
- Monitors the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners and tendering of audits and the safeguarding of the quality of the audit. If an engagement partner is to act for more than 5 years (a maximum of 7 is permitted) then the reasons for extending the appointment must be explained to shareholders as soon as possible.
- Review the findings of the audit with the external auditor including any major issues, accounting and audit judgements which arose during the audit and how they were resolved, or not
- Review any views from the auditors on the interaction with the investment manager or other suppliers in conducting the audit and the quality of information received.
- Consider any evidence in relation to each of the areas of significant judgment and review key accounting and audit judgments
- Review the levels of errors identified during the audit and the effectiveness of the audit.
- Review any correspondence received from the auditors in the course of the year, including any representation letter(s), review the management letter and management's response to the auditor's findings and recommendations.

2. Investment Manager

The Committee shall

- Review the investment manager's internal controls, financial reporting and risk management including monitoring arrangements in relation to the Company including any internal audit programme. Ensuring that the investment manager has adequately resourced these functions and that they have appropriate standing within the investment manager. Any reports issued by them shall be made available to the Committee so far as they relate to the Company.
- Consider the investment manager's response to any major external or internal audit recommendations
- Receive and consider reports from the investment managers on:
 - the Investment Manager's current status with its Regulatory Authorities;
 - the structure and nature of the investment manager's compliance monitoring of the Company's activities;
 - any compliance matters that have arisen concerning, or in relation to the investment manager's business which may have an impact on the Company.

3. Other Suppliers

The Committee shall where relevant

- either review the internal controls reports provided from such directly appointed suppliers or consider a report from the investment manager where the Committee considers it appropriate that the investment manager has been best placed to consider the services provided.

4. Risk Management

The Committee will

- keep under review the adequacy and effectiveness of the Company's internal controls and risk management systems

- undertake an annual review of any policies, practices and controls, including any reports for breaches or potential breaches of directly applicable UK or EU legislation. This will include the monitoring of the Investment Manager's risk and compliance functions to ensure that these are in place for the prevention of fraud, bribery or other financial wrongdoing.
- consider at each meeting, as a minimum, the risk summary schedule and a follow up on any risk matters identified at the previous meeting.
- review and approve the statements to be included in the annual report concerning internal controls and risk management.

5. Internal Audit

The Committee shall monitor the need for an internal audit function in the context of the Company's overall risk management system and those of the Investment Manager and consider the other processes needed to provide assurance that the internal controls are functioning as intended and the effectiveness of such other processes.

6. Financial Reporting and Published Financial Information

The Committee shall monitor and make recommendations to the Board:

- on the actions and judgements of the Investment Manager, in relation to the interim and annual financial statements.
- the integrity of the financial statements including the annual, and half yearly reports, preliminary results announcements, if any, and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the auditor.
- On the content of the annual report and accounts, including the going concern statement, longer term viability statement, 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.

The Committee shall review and challenge where necessary:

- the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group and compliance with accounting standards
- the methods used to account for significant or unusual transactions where different approaches are possible
- whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
- the clarity of disclosure in the company's financial reports and the context in which statements are made including compliance with the stock exchange and other legal requirements.

Reviewed and Reconfirmed in November 2019