

AUDIT COMMITTEE

TERMS OF REFERENCE

Last reviewed: - 11 June 2018 (without amendment)

ROLE	The Role of the Committee is to assist the Board by overseeing all material aspects of the Company's financial reporting, control and audit functions and by considering the Company's compliance with all applicable legal and regulatory requirements.
MEMBERSHIP	<p>The Committee and the Chairman thereof shall be appointed by the Board of Directors of the Company and shall comprise only those Directors who are considered independent of the Investment Manager, Administrator or any other Service Provider in accordance with the UKLA Listing Rules.</p> <p>The Committee currently consists of Kevin Lyon, Patrick Firth Vic Holmes, and Sharon Parr and is chaired by Patrick Firth. Further appointments will be considered, provided that candidates are Independent non-executive Directors of the Company. At least one member should have recent and relevant financial experience.</p>
LENGTH OF SERVICE	There is no maximum period of tenure so long as members continue to be independent. Tenure is reviewed at the same time as re-election to the Board is considered.
ATTENDANCE	<p>The Committee may request a representative of the external auditors, the auditors of the UK holding companies and SPVs, the Administrator or any other Service Provider to attend any meeting of the Committee. At least once a year the Committee will meet with the external and the Manager's internal auditors without representatives of the Investment Manager, Administrator or any other Service Provider being present.</p> <p>The Committee may invite representatives of the Investment Manager, advisers and other third parties to attend meetings as appropriate.</p>
SECRETARY	The Company Secretary or their nominee shall act as Secretary of the Committee.
QUORUM	The quorum necessary for the transaction of business shall be not less than two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
FREQUENCY	The Committee shall meet not less than three times a year at appropriate times in the reporting cycle, normally February / March, June / Jul and October / November, and otherwise as required.
LOCATION	All meetings of the Committee are normally to be conducted in Guernsey or at any other location outside the UK as the Committee may determine from time to time.
MINUTES	The minutes of meetings of the Committee shall be included with the agendas of the next Board and Committee Meetings.
AGM	The Chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any Shareholder questions on the Committee's activities.
AUTHORITY	<p>The Committee is authorised by the Board to:</p> <p>a. investigate any activity within its terms of reference;</p>

	<ul style="list-style-type: none"> b. seek any information that it requires from any employee of the Manager, Administrator or any other Service Provider and all employees of the Manager, Administrator or any other Service Provider are directed to cooperate with any request made by the Committee; and c. obtain outside legal or independent professional advice as may be necessary to discharge its duties effectively.
DUTIES	Financial Reporting
	<ol style="list-style-type: none"> 1. The Committee shall monitor the integrity of the financial statements of the Company, including its Annual and Interim Reports, preliminary results' announcements and any other non-routine announcement relating to the Company's financial performance, reviewing significant financial reporting judgements which they contain; the Committee shall also review any financial information contained in certain other documents, such as announcements of a price sensitive nature. 2. The Committee shall review and challenge where necessary: <ol style="list-style-type: none"> 2.1 the consistency of, and any changes to, accounting policies on a year on year basis; 2.2 the methods used to account for significant or unusual transactions where different approaches are possible; 2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; 2.4 the clarity and disclosure in the Company's financial reports and the context in which statements are made; and 2.5 all material information presented with the financial statements, such as the corporate governance statement (insofar as it relates to audit and risk management). 3. If requested by the Board, the Committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
	Internal Controls and Risk Management Systems
	<ol style="list-style-type: none"> 1. The Committee shall monitor the Company's internal financial controls and the Company's internal control and risk management systems; 2. The Committee shall review and approve the statements to be included in the Annual Report concerning internal controls and risk management; 3. The Committee shall have access to the internal audit functions of the third party service providers.
	Whistleblowing
	The Committee shall review the effectiveness of the Investment Manager or any other advisers on arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
	External Audit
	The Committee shall:

1. consider and make recommendations to the Board to be put to the Shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Company's external auditor.
2. oversee the relationship with the external auditor including (but not limited to):
 - 2.1 approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - 2.2 approval of their terms of engagement, including an engagement letter issued at the start of each audit and the scope of the audit;
 - 2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
 - 2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
 - 2.5 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners; and
 - 2.6 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
3. meet the external auditor at least once a year, without management or the administrator being present, to discuss their remit and any issues arising from the audit;
4. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
5. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 5.1 discussion of any major issues which arose during the audit;
 - 5.2 any accounting and audit judgements; and
 - 5.3 levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit.
6. review any representation letter(s) requested by the external auditor before they are signed by the Board;
7. review the management letter and management's response to the auditor's findings and recommendations; and
8. develop and implement a policy to review the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

<p>REPORTING</p>	<ol style="list-style-type: none"> 1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. 2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. 3. The Committee’s duties and activities during the year shall be disclosed in the Annual Report and Financial Statements.
<p>OTHER MATTERS</p>	<p>The Committee shall:</p> <ol style="list-style-type: none"> 1. have access to sufficient resources in order to carry out its duties, 2. including access to the company secretariat for assistance as required; 3. note that appropriate training is available if required, both in the form of an induction programme for new members and on an ongoing basis for all members; 4. give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code dated April 2016, the AIC Code of Corporate Governance dated July 2016 and the requirements of the UK Listing Authority’s Listing Rules as appropriate; 5. be responsible for co-ordination of the external auditors; 6. oversee any investigation of activities which are within its terms of reference; and 7. at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.