

STRATEGIC EQUITY CAPITAL PLC

Terms of Reference and Responsibilities of the Audit Committee

1. Membership and Attendance

- 1.1 The Audit Committee shall be appointed by the Board and shall comprise of a Chairman and at least one other director.

Members: Miss Josephine Dixon (Chair), Mr William Barlow, Ms Annie Coleman, and Mr Richard Locke

- 1.2 All members of the Audit Committee shall be independent non-executive directors. At least one member of the Audit Committee should have recent and appropriate professional qualifications or relevant financial expertise
- 1.3 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.
- 1.4 The Board shall appoint the Audit Committee Chairman who shall be an independent non-executive director. In the absence of the Audit Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- 1.5 The Audit Committee may ask senior representatives of the Managers and Administrators to attend meetings, either regularly or by invitation, but invitees shall have no right of attendance.
- 1.6 The Audit Committee shall invite a representative of the external auditors and the head of Capita's internal audit function to attend meetings at the request of the Committee. The Audit Committee should have at least one meeting, or part thereof, with the external auditor without management being present should the Committee deem that to be necessary.

2. Company Secretary

- 2.1 The Company Secretary or their nominee shall act as the Secretary of the Audit Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be 2. A duly convened meeting of the Audit 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 Audit Committee.

4. Frequency of Meetings

- 4.1 The Audit Committee shall meet twice a year and at such other times as the Chairman of the Audit Committee shall require.
- 4.2 Meetings will be arranged to coincide with the publication of the Company's financial statements.
- 4.3 Meetings can be requested by the external auditors or by the Managers' internal auditors if they consider that to be necessary.

5. Notice of Meetings

- 5.1 Meetings of the Audit Committee shall be convened by the Secretary of the Audit Committee at the request of any member.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee, any other person required to attend and all other members of the Board, no fewer than 5 working days prior to the date of the meeting.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Audit Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Audit Committee meetings shall be circulated to all members of the Audit Committee and to the Chairman and all other members of the Board.

7. Annual General Meeting

- 7.1 The Chairman of the Audit Committee shall attend the Annual General Meeting to respond to any shareholder questions on the Audit Committee's activities.

8. Duties

- 8.1 Narrative reporting

Where requested by the Board, the Committee should review the content of the annual report and accounts 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.

- 8.2 Internal Control and Risk Assessment

- 8.2.1 The Audit Committee shall keep under review the effectiveness of the Company's financial reporting and internal control policies and procedures with respect to the Company's record keeping, asset management and operations for the identification, assessment and reporting of risks.

- 8.2.2 The Audit Committee shall monitor adherence to best practice in corporate governance.

- 8.3 Internal Audit

- 8.3.1 The Audit Committee shall review promptly all reports on the Company from the Manager's internal auditors.

- 8.3.2 The Manager's Head of Compliance and Operational Risk shall have the right of direct access to the Chairman of the Audit Committee.

- 8.4 External Audit

- 8.4.1 The Audit Committee shall consider and make recommendations to the Board as regards the appointment, re-appointment, remuneration of and the provision of non-audit services by the Company's external auditors, and shall seek to ensure that key partners within the appointed firm are rotated from time to time.

- 8.4.2 The Audit Committee will review and approve the terms of the external Auditor's management engagement letter.
- 8.4.3 The Audit Committee will mediate in relation to any disagreements between the Manager and the external auditors.
- 8.4.4 The Audit Committee shall meet with the external auditors at least once a year, post-audit at the reporting stage, to review any matters arising in the course of the audit with respect to accounting or internal control systems, and to ensure that the Auditor's management letters and the Manager's responses are reviewed.
- 8.4.5 The Audit Committee shall keep under review the relationship with the external auditors including (but not limited to):
 - 8.3.5.1 the independence, objectivity and effectiveness of the external auditors;
 - 8.3.5.2 the consideration of audit fees to be paid as well as any other fees payable to auditors in respect of non-audit activities; and
 - 8.3.5.3 discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made, e.g. in respect of the Manager's internal auditing standards.

8.4 Financial Statements

- 8.4.1 The Audit Committee shall keep under review the consistency of accounting policies both on a year-to-year basis and across the Company/Group.
- 8.4.2 The Audit Committee shall review and challenge, where necessary, the Company's financial statements taking into account:
 - 8.4.2.1 decisions requiring a major element of judgement;
 - 8.4.2.2 the extent to which the financial statements are affected by any unusual transactions;
 - 8.4.2.3 the clarity of disclosures;
 - 8.4.2.4 significant adjustments resulting from the audit;
 - 8.4.2.5 the going concern assumption;
 - 8.4.2.6 compliance with accounting standards;
 - 8.4.2.7 compliance with UKLA Listing Rules and other legal requirements; and
 - 8.4.2.8 the Company's statement on internal control systems, prior to endorsement by the Board, and the policies and process for identifying and assessing business risks and the management of those risks by the Company.

8.5 Reporting Responsibilities

- 8.5.1 The Audit Committee or its Chairman shall discuss formally with the Board, at least once a year, the relationship with the external auditors.
- 8.5.2 In the light of its other duties, the Audit Committee shall make whatever recommendations to the Board it deems appropriate and shall compile a report to shareholders to be included in the Company's Annual Report and Accounts.

8.6 Other Matters

- 8.6.1 The Audit Committee shall give due consideration to the requirements of the UK Listing Authority's Listing Rules.
- 8.6.2 The Audit Committee shall be responsible for supervising the co-ordination of the activities of the external auditors.
- 8.6.3 The Audit Committee will review the Company's procedures for the signing of cheques and the transfer of inter-bank funds.
- 8.6.4 The Audit Committee will review the list of approved deposit takers and deposit limits.
- 8.6.5 The Audit Committee will review the Company's Agreements, in particular the Investment Management Agreement, Company Secretarial and Administration Agreement, and Custody Agreement, post review by the Management Engagement Committee.
- 8.6.6 The Audit Committee will ensure that financial information used within the business or published is reliable.
- 8.6.7 The Audit Committee will oversee any investigation of activities, which are within its terms of reference and act as a court of last resort.
- 8.6.8 The Audit Committee should, on a regular basis, review its own performance, constitution and terms of reference to ensure it and its members are operating at maximum effectiveness.

9. Authority

The Audit Committee is authorised:

- 9.1 to seek any information it requires from the Manager, Secretary and Administrator in order to perform its duties;
- 9.2 to obtain, at the Company's expense, outside legal or other independent professional advice on any matters within its terms of reference; and
- 9.3 to request that representatives of the Manager, Secretary and Administrator be available to answer questions at meetings of the Audit Committee.

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