

STRATEGIC EQUITY CAPITAL PLC

Terms of Reference and Responsibilities of the Audit Committee (“the Committee”)

1. Membership and Attendance

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

Members: Ms Brigid Sutcliffe (Chair), Mr William Barlow, Ms Annie Coleman, Mr Richard Locke and Mr Howard Williams

- 1.2 All members of the Committee shall be independent non-executive directors. At least one member of the 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 Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.
- 1.5 The Committee may ask senior representatives of the Manager and Administrator to attend meetings, either regularly or by invitation, but invitees shall have no right of attendance.
- 1.6 The Committee shall invite a representative of the external auditor to attend meetings at the request of the Committee. The 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 Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two. 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.

4. Frequency of Meetings

- 4.1 The Committee shall meet twice a year and at such other times as the Chair 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 auditor if they consider that to be necessary.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be convened by the Secretary of the 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 Committee, any other person required to attend and all other members of the Board, no fewer than five 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 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 Committee meetings shall be circulated to all members of the Committee and to the Chair and all other members of the Board.

7. Annual General Meeting

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting to respond to any shareholder questions on the 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 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 Committee shall monitor adherence to best practice in corporate governance.

8.3 External Audit

8.3.1 The 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.

8.3.2 The Committee will review and approve the terms of the external auditor's engagement letter.

8.3.3 The Committee will mediate in relation to any disagreements between the Manager and the external auditor.

8.3.4 The Committee shall meet with the external auditor 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, if appropriate, the auditor's management letters and the Administrator's and/or Manager's responses are reviewed.

8.3.5 The Committee shall keep under review the relationship with the external auditor including (but not limited to):

8.3.5.1 the independence, objectivity and effectiveness of the external auditor;

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 auditor concerning such issues as compliance with accounting standards and any proposals which the external auditor has made.

8.4 Financial Statements

8.4.1 The Committee shall keep under review the consistency of accounting policies on a year-to-year basis.

8.4.2 The 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 and viability assumptions;

8.4.2.6 compliance with accounting standards;

8.4.2.7 compliance with the UK Listing Authority's 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, in particular, to review:

8.4.2.8.1 the policies and process for identifying and assessing business risks and the management of those risks by the Company; and

8.4.2.8.2 The Administrator's, Manager's and other service providers' reports on their own internal control systems.

8.5 Reporting Responsibilities

8.5.1 The Committee or its Chair shall discuss formally with the Board, at least once a year, the relationship with the external auditor.

8.5.2 In the light of its other duties, the 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 Committee shall be responsible for supervising the co-ordination of the activities of the external auditor.

- 8.6.2 The Committee may, from time to time, review the Company's procedures for the transfer of inter-bank funds.
- 8.6.3 The Committee may, from time to time, review the list of approved deposit takers and deposit limits.
- 8.6.4 The Committee will oversee any investigation of activities, which are within its terms of reference and act as a court of last resort.
- 8.6.5 The 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 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 Committee.