|  |
| --- |
| **LONDON FINANCE & INVESTMENT GROUP P.L.C.** |

|  |
| --- |
| **AUDIT COMMITTEE - TERMS OF REFERENCE** |

**1. Constitution and Membership**

**1.1.** The Committee is a Committee of the Board.

**1.2.** Members of the Committee and the Chairman of the Committee shall be appointed by the Board and shall be independent non-executive directors.

**1.3.** The Committee shall consist of not less than two members and the Board shall appoint one of them as chairman of the Committee who shall not be the chairman of the Board.

**1.4.** At least one member of the Committee shall have recent and relevant financial experience.

**1.5.** Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend for all or part of any meeting, as and when deemed appropriate. The external audit lead partner will be invited to attend a meeting of the Committee at least once per year without management present.

**2. Secretary**

**2.1** The Company Secretary or his or her nominee shall act as the secretary of the Committee and will use his/her best efforts to ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

**2.2** Meetings of the Committee shall be convened by the Company Secretary at the request of any of the Committee members at the request of the external audit lead partner if they consider it necessary and an agenda of items to be discussed together with supporting papers, where required, shall be sent out to Committee members in advance of a meeting.

**2.3** The Company Secretary shall minute the proceedings and decisions of all meetings of the Committee.

**3. Quorum**

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

**4. Frequency of Meetings**

The Committee shall meet at least twice a year.

**5. Annual General Meetings**

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.

**6. Responsibilities**

The duties of the Committee are as follows:

**6.1. Financial Reporting**

**6.1.1** To monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance and any formal announcements relating to the Company’s financial performance.

**6.1.2** To review and report to the Board on significant financial reporting issues which those statements contain having regard to any matters communicated to it by the Company’s Auditors.

**6.1.3** To review and challenge where necessary:

(i) the application of significantaccounting policies and practices and any changes to them;

(ii) compliance with applicable accounting standards;

(iii) the methods used to account for significant or unusual transactions in the year where different approaches may be considered and how such transactions are disclosed;

(iv) whether the Company has adopted appropriate accounting policies and made

appropriate or critical accounting estimates taking into account the Company’s Auditors’ views on the financial statements;

(v) significant adjustments resulting from the audit;

(vi) the clarity of disclosures in the financial statements and the context in which statements are made;

(vii) all material information presented with the financial statements, including the strategic report and corporate governance report, insofar as it relates to the audit and risk management;

(viii) the going concern assumptions and the viability statement as to the Company’s ability to continue in operation and meet its liabilities taking into account of its current position and principal risks; and

(ix) compliance with FCA, stock exchange and legal requirements.

**6.1.4** Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

**6.2 Narrative reporting**

To review the content of the annual report and the financial statements 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.

**6.3. Internal Control and Risk Management Systems**

**6.3.1**. To monitor the Company’s risk management, internal financial controls and internal control

systems and, at least annually, consider their effectiveness, reporting to the Board on their findings;

**6.3.2**. To review and approve the statements to be included in the annual report concerning internal

controls, risk management and the viability statement.

**6.4 Compliance, Whistleblowing and Fraud**

**6.4.1**. To review the Company’s procedures for handling allegations from whistle blowers,

including the provision of proportionate and independent investigation of such matters and appropriate follow-up action.

**6.4.2** To review the Company’s systems and controls for the prevention of bribery and receive reports on non-compliance.

**6.4.3** To review the Company’s procedures for detecting fraud.

**6.5 Internal Audit**

To review, at least once a year, whether it is satisfied with the Company’s internal audit arrangements and report to the Board accordingly, including making a recommendation on whether there is a need for an internal audit function.

**6.6 External Audit**

**6.6.1**. To consider and recommend to the Board, for shareholder approval at the AGM, the

appointment, re-appointment and removal of the Company’s Auditors, as the case may be, and upon the resignation of an auditor, to investigate the issues leading to this and decide whether any action is required.

**6.6.2**. To ensure that, in accordance with relevant regulations, the external audit contract is put out

to tender at the required intervals, and in respect of such tender, to oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.

**6.6.3**. To oversee the relationship with the Company’s Auditors including, but not limited to:

(i) approving their fee for audit services, ensuring that such fee is appropriate to enable an effective and high-quality audit to be conducted;

(ii) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

(iii) assessing annually their independence and objectivity, taking into account relevant UK professional and regulatory requirements and ethical standards and the relationship with the Company’s Auditors as a whole, including any risks or threats to the Auditors’ independence and the safeguards applied to remove or mitigate those risks or threats which would include the provision of any non-audit services;

(iv) assessing the Company’s Auditors’ compliance with guidelines on rotation of audit partner and staff;

(v) ensuring that there are there are no relationships between the Auditors and the Company (other than in the ordinary course of business) which could affect the Auditors’ independence or objectivity;

(vi) monitoring compliance with the Company’s policy on the employment of former employees of the Company’s Auditors;

(vii) assessing annually the expertise and resources of the Company’s Auditors and the effectiveness of the audit process, which shall include a report from the Auditors on their own internal quality procedures;

(viii) developing and implementing policy on the engagement of the Company’s Auditors to supply non-audit services, taking into account any relevant ethical guidance or standards regarding the provision of non-audit services by the audit firm, keeping this policy and any fees paid to the Auditors in respect of the supply of non-audit services under review and reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(ix) meeting regularly with the Company’s Auditors (including once at the planning stage before the audit and once after the audit at least at reporting stage) and at least once a year, without management being present, to discuss the Auditors’ remit and any issues arising from the audit;

(x) discussing with the Company’s Auditors any factors which could affect audit quality and approving the annual external audit plan and ensuring that it is consistent with the scope of the audit engagement;

(xi) reviewing the findings of the audit with the Company’s Auditors, including, but not limited to, the following:   
- a discussion of any major issues which arose during the audit;

- The Auditors’ explanation of how risks to audit quality were addressed;  
- any key accounting and audit judgements;   
- levels of errors identified during the audit; and

- the effectiveness of the audit

(xii) reviewing any audit representation letter(s) as requested by the Company’s Auditors before they are signed on behalf of the Board and considering whether the information provided is complete and appropriate based on its own knowledge; and

(xiii) reviewing the Company’s Auditors’ findings and recommendations and management’s response thereto.

**7. Reporting Responsibilities**

**7.1.** The Committee Chairman, or as a minimum, another member of the Committee, shall formally report to the Board on the proceedings after each meeting on all matters within its duties and responsibilities.

**7.2.** The Committee shall make whatever recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed.

**7.3.** The Committee shall have compiled a report on its duties and activities to be included in the annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the audit process, the issues that the Committee considered to be significant in relation to the financial statements, which will include the Board’s assessment of whether the Company is a going concern and the Company’s viability statement, and how these issues were addressed having regard to matters communicated to it by the Auditors. The Committee notes that the report need not repeat information disclosed elsewhere in the annual report but could provide cross-references to that information.

**8. Other Matters**

The Committee shall:

**8.1.** have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;

**8.2.** be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

**8.3.** give due consideration to laws, regulations and guidelines including the provisions of the FRC’s UK Corporate Governance Code and the requirements of the UK Listing Authority’s Listing and Prospectus Rules, the Market Abuse Regulation and the Disclosure and Transparency Rules and any other applicable rules as appropriate; and

**8.4.** arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**8.5** Outside of the formal meeting programme, the Committee Chairman, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company’s governance , including the Chairman of the Company and the Auditors’ lead partner.

**9. Authority**

The Committee is authorised:

**9.1.** to seek any information it requires from any employee of the Company or the Company Secretary in order to perform its duties;

**9.2.** to obtain, at the Company’s expense, outside legal or other professional advice on any matter within its terms of reference when it reasonably believes it is necessary to do so;

**9.3.** to call any employee to be questioned at a meeting of the Committee as and when required; and

**9.4**. to publish in the Company’s annual report details of any issues that cannot be resolved between the Committee and the Board.

**Adopted by the Board on 2nd August 2017**