

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 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

The Company Secretary shall act as the secretary 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 once a year.

5. Annual General Meetings

The Chairman of the Committee shall attend the Annual General Meeting 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

To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them, focussing particularly on:

(i) any changes in accounting policies and practices;

- (ii) compliance with applicable accounting standards;
- (iii) the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed;
- (iv) decisions requiring a major element of judgement, including critical accounting estimates;
- (v) significant adjustments resulting from the audit;
- (vi) the clarity of disclosures;
- (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 assumption 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 stock exchange and legal requirements.

6.2. Narrative reporting

To review the content of the annual report 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, carry out a review of 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 and risk management.

6.3.3. To review the Company's procedures for handling allegations from whistleblowers, ensuring that these procedures allow proportionate and independent investigation of such matters and appropriate follow-up action.

6.3.4. To review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

6.3.5. To review the Company's procedures for detecting fraud.

6.4. 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.

6.5. External Audit

6.5.1. To consider and recommend to the Board, for shareholder approval at the AGM, the appointment, re-appointment and removal of the Company's external auditor, and upon the resignation of an auditor, to investigate the issues leading to this and decide whether any action is required.

6.5.2. 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.

6.5.3. To oversee the relationship with the external auditor including, but not limited to:

- (i) approving their fee for audit services, ensuring that such fee is appropriate to enable adequate 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 the relationship with the external auditor as a whole, including the provision of any non-audit services, and assessing their compliance with guidelines on rotation of audit partner and staff;
- (iv) monitoring compliance with the Company's policy on the employment of former employees of the Company's auditor;
- (v) assessing annually the expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- (vi) developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account any relevant ethical guidance regarding the provision of non-audit services by the external audit firm, keeping this policy and any fees paid to the external auditor 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;
- (vii) meeting with the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (viii) reviewing and approving the annual external audit plan and ensuring that it is consistent with the scope of the audit engagement;
- (ix) reviewing the findings of the audit with the external auditor, including, but not limited to, the following:
 - a discussion of any major issues which arose during the audit;
 - any key accounting and audit judgements;
 - levels of errors identified during the audit; and
 - the effectiveness of the audit
- (x) reviewing any audit representation letter(s) as requested by the external auditor 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
- (xi) reviewing the external auditor's 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's duties and activities during year shall be disclosed in the annual report.

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 and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and 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.

9. Authority

The Committee is authorised:

9.1. to seek any information it requires from any employee of the Company 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 27 January 2016