

## **ALBION TECHNOLOGY & GENERAL VCT PLC**

### **AUDIT & RISK COMMITTEE - TERMS OF REFERENCE**

#### **Purpose**

The Audit & Risk Committee (the Committee) is a committee of the Board of Albion Technology & General VCT plc (the Company). It is established to:

- review the principles, policies and practices adopted in the preparation of the financial statements of the Company, with the aim of ensuring that the half year and annual report and financial statements of the Company and other announcements relating to the Company's financial performance comply with all statutory requirements and present a fair, balanced and understandable assessment of the Company's position and prospects; and
- assess and report on the risks faced by the Company

#### **Membership and Quorum**

The Committee shall be appointed by the Board from amongst the Directors of the Company in consultation with the Chairman of the Committee; it shall consist of not fewer than two independent Directors (with the Chairman of the Committee having a casting vote in the event of any disagreement). At least one member of the Committee shall have recent and relevant financial experience, ideally with a professional qualification from a recognised accounting body. A quorum for meetings shall be two members, with at least one of the members having relevant experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates. Membership shall be identified in the annual report and financial statements.

The Chairman of the Committee shall be appointed by the Board and should not be the Chairman of the Board. The Chairman of the Board may be a member of the Committee if deemed independent. In the absence of the Chairman of the Committee, the remaining independent members present (other than the Chairman of the Board) shall elect one of themselves to chair the meeting.

#### **Attendance at Meetings**

Only members of the Committee are entitled to attend meetings. Any other Board member shall have a standing invitation to attend Committee meetings as an observer.

Any of the following members of the Investment Manager and Administrator (the Manager) staff shall attend at the invitation of the Committee: The Managing Partner, Operations Partner and senior finance and compliance staff members, and investment staff.

The Committee shall meet with the external auditors at least once a year (without the presence of the Manager if required). That meeting shall take place around the time of the finalisation of the annual report and financial statements (the frequency of the Board meetings will dictate the date).

The Company Secretary shall act as the secretary of the Committee and shall be responsible for preparing the agenda and circulating the Committee papers to all Directors before meetings to enable full and proper consideration to be given to issues arising. The Company Secretary shall also produce and circulate the minutes of meetings to all Committee members on a timely basis.

The Committee Chairman will decide on the frequency and timing of meetings. There will be a minimum of two meetings per year to coincide with the key dates in the Annual and Half-yearly reporting cycles.

### **Authority**

The Committee is authorised by the Board:

- To investigate any activity within its terms of reference;
- To seek any information it requires. (The Manager and its employees shall co-operate regarding any request made by the Committee); and
- To obtain outside legal or other independent professional advice at the Company's expense (such advisers may be invited to attend meetings as necessary)

### **Responsibilities of the Committee**

The responsibilities of the Committee shall be:

- To review the Company's compliance with the UK Corporate Governance Code, the AIC Code of Corporate Governance, the UK Listing Rules, the Disclosure Guidance and Transparency Rules and any other applicable rules as appropriate for the purposes of financial reporting and reviewing financial statements;
- To review regular reports covering compliance matters (including reports from the Manager's compliance function and the independent adviser on tax compliance);
- To review half year and year end reports from the Company's depository covering custody, cashflows, net asset calculations and liquidity matters;
- To oversee the process for selecting the external Auditors, their appointment, reappointment and removal, including an external Audit tender process to be conducted at least every ten years or at intervals in accordance with applicable regulations and to make appropriate recommendations through the Board to the Company's shareholders to consider at the Annual General Meeting.
- To approve the engagement letter for the External Auditors and authorise any one Director to sign this on behalf of the Committee;
- To recommend the audit fee to the Board for approval, having satisfied itself that the fee level is appropriate and sufficient to enable an effective, high quality audit to be conducted;
- To develop and implement a policy on the engagement of the External Auditors to supply non-audit services, ensuring there is prior approval of such services and that there is no compromise on independence or on compliance with any regulations. The policy shall cover reporting to the Board on any such services;
- To approve any fees for non-audit work and to ensure that any non-audit work does not impair the external Auditors' independence;
- To discuss with the External Auditors the nature and scope of the audit and to review, as far as practicable, their quality control procedures and steps taken to respond to changes in regulatory and other requirements;
- To review the External Auditors' report;
- To review the findings of the audit with the External Auditors including, but not limited to, a discussion of any material issues that arose during the audit, key accounting and audit judgements, levels of errors identified during the audit and the effectiveness of the audit process;
- To review and approve the letter of representation to the External Auditors and the associated letter of comfort from the Manager and authorise any one Director to sign the letter of representation on behalf of the Company;

- To assess the External Auditors' effectiveness, objectivity and independence (ensuring partner rotation in line with regulations);
- To review reports on the effectiveness of systems of risk management and internal control at the Manager and key service providers (Manager's internal auditor, depository, custodian and registrar);
- To review the Manager's procedures (to the extent they may impact the Company) for handling allegations from whistleblowers to ensure there is appropriate independent investigation of such matters and appropriate action taken;
- To monitor the integrity of the Company's financial statements and to review and challenge where necessary the actions and judgements of the Manager in relation to the half year and annual financial statements before submission to the Board, paying particular attention to:
  - Critical accounting policies and practices and any changes to them;
  - Compliance with accounting standards – considering whether these are appropriate and the Company has made appropriate estimates and judgements, taking in account the views of the external Auditors;
  - Decisions requiring a major element of judgement (specifically the process undertaken to arrive at valuations of investments, the need for any independent valuations of investments and the judgements made in that process);
  - The extent to which the financial statements are affected by any unusual transactions in the years and how they are disclosed;
  - The clarity and completeness of disclosures in the Company's financial reports and the context in which the disclosures are made;
  - Significant adjustments or unadjusted differences from the external audit;
  - The Going Concern assumption;
  - Compliance with the stock exchange and other legal/regulatory requirements;
  - The Company's statement on risk management and internal control systems and the processes for identifying and assessing business risks and the management of those risks by the Company.
- To review the Company's interim Management Statements prior to publication;
- To carry out a robust assessment of the Company's emerging and principal risks. The Board should confirm in the annual report that this assessment has been completed and include a description of the Company's principal risks, the procedures in place to identify emerging risks and an explanation of how the risks are being managed/mitigated;
- To consider and make appropriate disclosures regarding the Company's long term viability;
- To review the content of the Annual Report and financial statements and advise the Board on whether, taken as a whole, the information is fair, balanced and understandable and provides information necessary for its shareholders to assess the Company's performance, business model and strategy; and
- Any other topics required by the Board.

### **Reporting procedures**

The secretary shall circulate the minutes of the meetings of the Committee to all members of the Board and the Chairman of the Committee (or their delegate) shall attend the Board meeting at which the financial statements are approved.

The Committee members shall conduct an annual review of their work and of these terms of reference and make recommendations to the Board.

The Committee's duties and activities during the year shall be disclosed in the annual report and financial statements, including an explanation of: how the Committee has addressed the effectiveness of the external audit process, the significant issues considered by the Committee in relation to the financial statements and how they were addressed and all other information requirements set out in applicable regulations including as a minimum the matters that have informed the Board's assessment of whether the Company is a going concern.

The Chairman of the Committee shall report formally to the Board on the Committee's proceedings after each Committee meeting, covering all matters within its duties and responsibilities. They will report on how the Committee has discharged those responsibilities.

The Chairman of the Committee shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Committee's activities and responsibilities.

### **Training and resources**

The Committee shall have access to sufficient resources to enable it to carry out its duties, and members of the Committee shall be provided with training as appropriate.