

Dunedin Enterprise Investment Trust PLC (“the Company”)

Terms of Reference – Audit Committee (“the Committee”)

Status

The Committee is a committee of the Company’s Board established to monitor the quality and reliability of financial information used by the Board. The Committee has no executive powers but shall have the authority to seek any information it requires from any officer of the Company or any of its subsidiary companies or of the Manager.

The Committee is granted the authority of the Board to obtain outside legal or other independent professional advice at the Company’s expense and will keep the Board informed of any such decisions. The advisors may attend meetings as necessary.

Membership

Members of the Committee and its Chairman will be appointed by the Board of the Company. The Committee will be made up of at least three members. All members of the Committee shall be independent non-executive directors, one of whom shall have had recent and relevant financial experience. Membership of the Committee shall be identified in the Annual Report

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as senior executives of the Manager or other non-executive directors may be invited to attend all or part of any meeting as and when appropriate. The external auditors will be invited to attend meetings of the Committee on a regular basis and at least once per year there will be a private meeting between the Committee and the external auditors.

Meetings

The Committee shall meet as necessary (at least twice) during the year at appropriate times in the reporting and audit cycle and otherwise as required. Meetings of the Committee may also be summoned by the Secretary of the Committee at the request of any of its members or at the request of the external auditors if they consider it necessary. The quorum for meetings of the Committee shall be any two members.

Notice of each meeting providing details of the venue for, and the time and date of, the meeting, together with an agenda of items to be discussed at the meeting must be sent to each member of the Committee by the Secretary not less than five working days before the date of the meeting.

In the absence of the Chairman, the remaining members present must elect one of their number to chair the meeting. Resolutions of the Committee will be passed by a majority of votes. Each member of the Committee will have one vote on each resolution proposed. In the case of an equality of votes, the Chairman will have a casting vote.

Secretary

The Secretary of the Company will act as secretary of the Committee. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest with regard to the Manager and minute them accordingly. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and once agreed to all members of the Board.

Duties and responsibilities

The duties and responsibilities of the Committee fall into four principal areas:-

1. Financial Statements,
2. Internal Control & Risk Management,
3. Corporate Governance, and
4. External Audit, and

In addition the Board may request the Committee to undertake other tasks from time to time.

1. Financial Statements

- Review the principles, policies and practices adopted in the preparation of the accounts of the Company. Review the interim and annual financial statements or any other announcement relating to the Company's financial performance for compliance with all statutory requirements. Paying particular attention to:-
 - a. critical accounting policies and practices, and any changes to them,
 - b. significant financial reporting judgments and estimates contained in them,
 - c. the extent to which financial statements are affected by any unusual transactions in the year and how they are disclosed,
 - d. the clarity of disclosures,
 - e. significant adjustments or unadjusted differences arising from the audit,
 - f. the going concern assumption,
 - g. compliance with accounting standards,
 - h. compliance with stock exchange, regulatory and other legal requirements, and
 - i. for the avoidance of doubt the Audit Committee does not review/approve investment valuations.

2. Internal Control & Risk Management

- Review the Manager's procedures for detecting fraud and whistle blowing;
- Review the Manager's report on the effectiveness of systems of internal control,
- Review the Company's statement on internal control systems prior to endorsement by the Board and review the policies and process for identifying and assessing business risks and the management of those risks by the Company;
- Review the scope and effectiveness of the systems established by the Manager to identify, assess, manage and monitor financial and non-financial risks;
- Review potential Manager conflicts of interest.

3. Corporate Governance

- Give due consideration to laws and regulations, the provisions of the Combined Code, the requirements of the Listing Rules and the AIC Code for the purpose of financial reporting and reviewing the financial statements,
- Review whether there is a need for an internal audit function,
- Once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness.

4. External Audit

- Consider and make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditor,
- Approve the auditors' terms of engagement, including any engagement letter issues at the start of each audit and the nature and scope of the audit,
- Review whether all relevant audit information is available to the external auditor,
- Review with the external auditor the management letter and letter of representation,
- Recommend the audit fee to the Board and approve any fees in respect of non-audit services provided by the external auditors,
- Review annually the external auditors' independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of non-audit services,
- Annually review the effectiveness of the auditors.

Reporting Responsibilities

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or involvement is needed.

The Committee's duties and activities during the year shall be disclosed in the annual financial statements. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee.