

**Approved by the Board on 27 October 2005**

## **MATRIX INCOME & GROWTH 3 VCT PLC**

### **AUDIT COMMITTEE**

#### **Terms of Reference**

##### **Constitution**

The Board has resolved to establish a committee of the Board to be known as the Audit Committee.

##### **Membership**

The Committee shall be appointed by the Board and shall comprise all the independent non-executive directors of the Company.

A quorum shall be two members.

The Chairman of the Committee shall be appointed by the Board.

At least one member of the Committee shall have recent and relevant accounting experience.

##### **Attendance at Meetings**

A representative of the external auditors shall normally attend the meeting at which the annual accounts are considered, and also (but only as appropriate) at the meeting at which the interim accounts are considered. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with other Board members.

The Company Secretary shall be the Secretary of the Committee.

##### **Frequency of Meetings**

Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

##### **Authority**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any service provider and all service providers and advisers are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **Duties**

The duties of the Committee shall be:

to consider the appointment or re-appointment of an external auditor or tax advisor, the auditors' remuneration, all other accounting or taxation fees and any questions of resignation or dismissal and make recommendations to the Board concerning these matters;

- (b) either through Matrix Securities or directly, to discuss with the external auditor before the audit commences the nature and the scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) to review the external auditor's management letter and management's response;
- (d) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- (e) if the auditor provides non-audit services to develop and implement policy on this, taking into account relevant ethical guidance and to report to the Board. To explain in the Annual Report how auditor objectivity and independence is safeguarded
- (f) to review and monitor the integrity of the half year and annual financial statements and any formal announcements relating to the Company's financial performance before submission to the Board, focussing particularly on:
  - (i) any changes to accounting policies and practices;
  - (ii) major judgemental areas, including a key valuation note from MPEP for year end valuation purposes;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption;
  - (v) compliance with accounting standards; and
  - (vi) compliance with stock exchange and legal requirements;
- (g) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary); in particular to receive from the auditors a year end review of the basis of valuation of the portfolio (and income derived from portfolio companies) including a summary of auditors' concerns and revaluations, if any;
- (h) to review the Company's internal financial controls and internal control and risk management systems and to review the statement on internal control systems prior to endorsement by the Board;

- (i) where an internal audit function exists, to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure the internal audit function is adequately resourced and has appropriate standing within the Company. Where an internal audit function does not exist to consider annually whether there is a need for an internal audit function and to provide an explanation of why it is considered inappropriate for the Company in the Annual Report;
- (j) to consider the major findings of internal investigations and the response of service providers;
- (k) to consider other topics, as defined by the Board;
- (l) to consider a copy of the report of PwC to the FSA, relating to the Annual Financial return of Matrix Private Equity Partners for the year ended 30 June.

### **Reporting procedures**

The Secretary shall circulate the minutes of the meetings of the Committee to all members of the Board.

The Company's Annual Report shall contain:

- (i) A description of the work of the Committee;
- (ii) An explanation of the appointment, resignation or removal of the auditors if appropriate;
- (iii) Statements in relation to paragraphs (e) and (i) above.

### **Publication of these terms of reference**

Copies of these terms of reference shall be made available to shareholders on request and published on any website to be established by the Company.

*As approved by the Board on 27 October 2005.*