

Personal Assets Trust plc

Audit Committee

Terms of Reference

1. Constitution and membership

- 1.1** The Board resolves to establish a Committee of the Board to be known as the Audit Committee (the "Committee").
- 1.2** The Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company. In FTSE 350 companies the Chairman may not be a member of the Audit Committee. At least one member of the Committee shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.

2. Meetings

- 2.1** The quorum for meetings of the Committee is two members.
- 2.2** The Committee shall meet at least twice each year. Any two members may requisition a meeting of the Committee. If the auditors consider that a meeting is necessary or desirable, they may also request a meeting of the Committee at any time.
- 2.3** At least once each year, the Committee shall meet with the auditors without the presence of any members of the Executive Office.
- 2.4** The Chairman of the Committee should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

3. Duties

The duties of the Committee are as follows:-

3.1 Financial and Narrative Reporting

To monitor the integrity of the financial statements of the Company, including its half-yearly and annual financial statements and other formal announcements relating to its financial performance, and to review and report to the Board on significant financial reporting issues and judgements which these statements contain, having regard to matters communicated to it by the auditors.

In particular, the Committee shall review and challenge where necessary:

- the consistency of, and any changes to, accounting policies and practices;
- the going concern assumption;
- compliance with applicable accounting standards and practices;
- compliance with applicable regulatory and legal requirements (including the requirements of the UK Listing Authority and the Stock Exchange);
- significant adjustments resulting from the review or audit carried out by the Company's auditors;
- the methods used to account for significant or unusual transactions where different approaches are possible;

- the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit.

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

3.2 Internal Controls and Risk Management Systems

- to keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- to review and approve the statements to be included in the annual report concerning internal controls and risk management.

3.3 External Audit

- to recommend to the Board on the appointment, re-appointment and removal of the external auditors. If the auditors resign the Committee shall investigate the issues leading to this and decide whether any action is required;
- to ensure that the audit services contract is put out to tender as required by regulation to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditors and those of other audit firms;
- to make recommendations to the Board on the remuneration of the auditors, whether for audit or non-audit services, and to advise the Board as to whether the level of fee is appropriate to enable an effective and high quality audit to be concluded;
- to approve the auditors' terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- to assess annually the auditors' independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
- to monitor the auditors' compliance with relevant ethical and professional guidance on the rotation of the audit partner;
- to assess annually the qualifications, expertise and resources of the auditors and the effectiveness of the audit process;
- to meet the external auditors at least once a year to discuss the auditors' remit and any issues arising from the audit;
- to review any representation letter(s) requested by the external auditor; and
- to develop and implement policy on the provision of non-audit services by the external auditors to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance.

3.4 Internal Audit

- to consider annually whether there is a need for an internal audit function and, should it be considered that one is not needed, to explain the reasons for the absence of such function in the Annual Report and Financial Statements.

4. Reporting Responsibilities

- The Committee Chairman shall report to the Board after each meeting of the Committee on all matters in respect of which the Committee considers that action or improvement is needed and making recommendations as to the next steps to be taken; and
- The Committee shall compile a report on its activities to be included in the Company's annual report. The report shall include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were resolved, having regard to matters communicated to it by the auditors; and all other information requirements set out in the UK Corporate Governance Code.

5. Other matters

- to consider any other matters as specified by the Board.

6. 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 the Investment Adviser and the Executive Office.
- The Committee is authorised to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes necessary.