

Channel Islands Property Fund Limited (the “Company”)

Audit Committee Terms of Reference

Updated on 08 November 2023

Purpose

1. The function of the Audit Committee (the “Committee”) is to provide oversight and reassurance to the Board, specifically with regard to the integrity of the Company’s financial reporting, audit arrangements, risk management and internal control processes and governance framework.

Membership

2. All Board members considered to be independent of the Investment manager by the Board shall be Members of the Committee. A quorum shall be two members.
3. In the absence of the Committee chairman the remaining members shall elect one of themselves to chair the meeting.
4. Upon appointment of a new member to the Committee, the incumbent Committee members will provide an induction programme, including review of these Terms of Reference and an overview of the most recent Annual Financial Statements, covering the business model and key risks as a minimum.

Meetings

5. The Committee shall meet at least twice in each financial year.
6. The Committee shall meet with the Company’s Auditors at a minimum of twice a year to review the Annual and Interim Accounts and shall consider whether it is appropriate to meet with the external auditors without any other person present.
7. Meetings may be held more frequently if the Committee deems necessary or if required by the Company’s Auditors.
8. The Company’s Auditors may be invited to Committee Meetings. The Committee shall also have direct access to the Compliance Officers of the Investment Manager and the Administrator.
9. The Company Secretary shall also be the Secretary of the Committee and shall attend all Meetings of the Committee.

Duties and Terms of Reference

10. The duties of the Committee shall be:-
 - (a) To review and make recommendations on the appointment of the Company’s External Auditors, the scope of the audit, the audit fee, the tenure of the Auditors and tendering process and any questions of resignation or dismissal of the Auditors;



- (b) To consider putting out the audit services to tender at least once in every 10 years, to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent Auditor with those of other audit firms;
- (c) To discuss with the Auditors the nature and scope of the audit and to keep under review such scope and its cost-effectiveness taking into account any changes to the Company's structure and operations in the period;
- (d) To review and monitor independence and objectivity of the Auditors and the effectiveness of the audit process and steps taken by the Auditors to respond to changes in regulatory and other requirements;
- (e) To scrutinise any non-audit services and implement and follow a policy on the independence of auditors and provision of non-audit services;
- (f) To consider, on an annual basis, whether the Company requires the establishment of an internal audit function, or if sufficient assurance is derived from service provider control reports and the external audit;
- (g) To receive and review a Report from the Company's Auditors and to discuss any matters arising from the audit and recommendations made by them;
- (h) To review the Company's Annual and Interim Accounts and any other financial information published by the Company, in each case before issue or publication, prior to their submission to the Board, having particular regards to:
 - 1. whether the accounting policies continue to be appropriate to the business;
 - 2. any changes in accounting policies or practice and whether they are appropriate to the business;
 - 3. any important areas where judgement must be exercised e.g. valuation of unquoted investments or estimates employed e.g. recoverability of outstanding receivables;
 - 4. any significant adjustments arising from the audit;
 - 5. the going concern assumption;
 - 6. the reasonable expectation that the Company will be able to continue in operation in the longer term, bearing in mind the principal risks;
 - 7. review and disclosure of the business model and strategy;
 - 8. other legal, Listing Authority or recognised investment exchange requirements;
- (i) To ensure that the internal control systems of the service providers are adequate. To receive reports from the Company's service providers covering internal control systems and procedures supported either by SOC1, SSAE 16, ISAE 3402 or AAF 1/06 Reports. In the light of the above, to review the Company's statement on internal controls prior to endorsement by the Board;
- (j) To review the ability of the Company's internal control systems to identify, assess, manage and monitor financial risks;
- (k) To monitor the Company's procedures for ensuring compliance with statutory, regulatory and other financial reporting requirements i.e. the Guernsey Financial Services Commission ("GFSC") and The International Stock Exchange ("TISE") (which includes the UK Listing Authority);



- (l) To ensure that a framework for strong corporate governance and best practice is in place, which is believed to be suitable for an investment company and which enables the Company to comply with the main requirements of the applicable corporate code issued by the Association of Investment Companies from time to time.
- (m) To review significant transactions outside the Company's normal business (e.g. Company share buy backs);
- (n) To consider any other topics referred to it by the Board.

Financial Statements

- 11. To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance (other than for monthly fact sheets), review, and challenge where necessary, the actions and judgements of the Investment Manager and any other relevant entities, in relation to the financial statements before submission to the Board:

For the Annual Financial statements, paying particular attention to:

- (a) Whether when taken as a whole, the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- (b) Critical accounting policies and practices and any changes in them, as they relate to the results of the Company;
- (c) Decisions requiring a major element of judgement or estimation including the impact of adopting any acceptable alternative accounting treatment;
- (d) The extent to which the financial statements are affected by any significant or unusual transactions in the year, the methods used to account for them where different approaches are possible and how they are disclosed;
- (e) The clarity and completeness of disclosures;
- (f) Significant adjustments resulting from the audit;
- (g) The Auditor's statement of unadjusted audit differences and the Designated Manager's explanation as to why adjustments have not been processed;
- (h) The going concern assumption;
- (i) Taking account of the Company's current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.
- (j) Compliance with Accounting Standards;
- (k) All material information presented with the financial statements, such as the operating and financial review, ensuring consistency with the financial statements;
- (l) Compliance with GFSC, TISE and other legal, regulatory or listing requirements;
- (m) The corporate governance statement and the Company's statement on internal control systems, prior to endorsement by the Board;
- (n) The policies and process for identifying and assessing business risks and the management of those risks by the Company.



For the Interim Financial statements, paying particular attention to:

- (a) Whether when taken as a whole, the financial statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- (b) Any changes in critical accounting policies and practices, as they relate to the results of the Company;
- (c) Decisions requiring a major element of judgement or estimation including the impact of adopting any acceptable alternative accounting treatment;
- (d) The extent to which the financial statements are affected by any unusual transactions in the period and how they are disclosed;
- (e) The clarity and completeness of disclosures;
- (f) Compliance with Accounting Standards;
- (g) All material information presented with the financial statements, such as the operating and financial review, ensuring consistency with the financial statements;
- (h) Compliance with GFSC, TISE and other legal, regulatory or listing requirements.

At the end of an audit cycle, or earlier if appropriate, to review the effectiveness of the external audit process and to report the Committee's conclusions to the Board.

Authority

12. The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Reporting Procedures

13. The Secretary shall circulate the Minutes of Meetings of the Committee to all Members of the Board.

The Committee members shall conduct an annual review of their work, their performance and these terms of reference and make recommendations to the Board for changes. The Committee shall make its terms of reference available to shareholders on request and ensure that they are published on the Company's website.

The Committee's duties and activities during the year shall be disclosed in the annual financial statements, including but not limited to:

- (a) A summary of the work of the Committee in discharging its responsibilities;
- (b) The significant issues considered by the Committee in relation to the financial statements and how these issues were dealt with;
- (c) Whether the Committee considers that the Annual Report, taken as a whole, provides Shareholders with the information necessary to assess and understand the risks and rewards they may be exposed to by owning shares;
- (d) How the Committee assessed the effectiveness of the external audit process, the approach taken to the audit appointment or reappointment, including the length of the tenure of the audit firm;
- (e) An explanation of the procedures adopted by the Committee to ensure that the independence and objectivity of the External Auditor is maintained and safeguarded at all times.



In the event of a material disagreement between the Committee and the Board, the Committee should have the right to report on the issue to shareholders in the annual report.

Amendments may be made to the duties of the Committee by the Board from time to time.

Valuation

14. For the interim and annual financial statements;
 - (a) the Investment Manager to procure a valuation of the Company's investment portfolio based on the Market Value and the Market Value based on any Special Assumption as may be requested, as set out in the RICS Valuation – Global Standards (“The Red Book”) published by the Royal Institution of Chartered Surveyors, as amended from time to time from an RICS Qualified Valuer (“the Valuer”);
 - (b) To ensure that the Valuer has followed the agreed valuation methodology in performing the valuation and challenge any departures from the methodology;
 - (c) To consider, and challenge where appropriate, the assumptions and judgements applied by the Valuer in valuing the assets in the portfolio;
 - (d) To consider, and challenge where appropriate, data and its sources, used in the valuation of the portfolio;
 - (e) To recommend to the Board the valuation of the Company's investment portfolio and, as required,.

Fraud, Anti-Bribery and Corruption

15. To review the Company's procedures for the prevention, detection and reporting of Fraud, Bribery and Corruption;
16. To review arrangements by which persons associated with key service providers are able to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that appropriate, proportionate, independent investigation of such matters is undertaken.

Review of Performance

17. The Committee will review annually whether it has covered its requirements under the Terms of Reference.

Annual General Meeting

18. The Committee Chairman, or if the Committee Chairman is unavailable, another member of the Committee shall attend the Annual General Meeting and respond to any shareholder questions on the Committee's activities.