

MEDICX FUND LIMITED

AUDIT COMMITTEE TERMS OF REFERENCE

07 DECEMBER 2009

DEFINITIONS

Administrator	Administrator appointed to perform administration duties for the Company or any of its subsidiary undertakings
Board	Board of directors of MedicX Fund Limited
Company	MedicX Fund Limited
Group	MedicX Fund Limited and its subsidiaries
Investment Adviser	MedicX Adviser Ltd

1. OBJECTIVES

- 1.1 To increase shareholder confidence and to ensure the credibility and objectivity of published financial information.
- 1.2 To assist the Board in meeting its financial reporting responsibilities.
- 1.3 To assist the Board in ensuring the effectiveness of the Group's accounting and financial controls.
- 1.4 To strengthen the independent position of the Group's external auditors by providing channels of communication between them and the non-executive directors.
- 1.5 To review the performance of the Group's auditing functions.

2. REMIT AND AUTHORITY

- 2.1 The Audit Committee is a sub-committee of the Board of Directors and as such exercises such powers of the Board as have been delegated to it. It is answerable to the Board and will report to it on a regular basis.
- 2.2 In particular the Audit Committee has authority to carry out the following duties:

2.3 External Audit

The Audit Committee shall

- 2.3.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Group's external auditor. The Audit Committee shall oversee the selection process for new auditors and if an auditor resigns the Audit Committee shall investigate the issues leading to this and decide whether any action is required
- 2.3.2 oversee the relationship with the external auditor including (but not limited to)
 - 2.3.2.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted
 - 2.3.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
 - 2.3.2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services

MEDICX FUND LIMITED

AUDIT COMMITTEE TERMS OF REFERENCE

07 DECEMBER 2009

- 2.3.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business)
- 2.3.2.5 as appropriate, agreeing with the Board a policy on the employment of former employees of the Group's auditor by the Investment Adviser, then monitoring the implementation of this policy
- 2.3.2.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements
- 2.3.2.7 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures
- 2.3.2.8 seeking to ensure co-ordination with the activities of the internal audit function
- 2.3.2.9 considering the risk of the withdrawal of the Group's present auditor from the market
- 2.3.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Audit Committee shall meet the external auditor at least once a year, without Investment Adviser being present, to discuss their remit and any issues arising from the audit
- 2.3.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement
- 2.3.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following
 - 2.3.5.1 a discussion of any major issues which arose during the audit
 - 2.3.5.2 any accounting and audit judgements
 - 2.3.5.3 levels of errors identified during the audit
- 2.3.6 The Audit Committee shall also review the effectiveness of the audit, including the cost effectiveness
 - 2.3.6.1 review any representation letter(s) requested by the external auditor before they are signed by the Board
 - 2.3.6.2 review the external auditors report to the Board and/or any findings on material weaknesses in accounting and internal control systems and Investment Adviser and Administrator's response to the auditor's findings and recommendations
 - 2.3.6.3 monitor the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter

MEDICX FUND LIMITED

AUDIT COMMITTEE TERMS OF REFERENCE

07 DECEMBER 2009

2.4 Financial Reporting

- 2.4.1 The Audit Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Audit Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- 2.4.2 The Audit Committee shall review with the Investment Adviser and auditor, challenging where necessary
- 2.4.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group
 - 2.4.2.2 the methods used to account for significant or unusual transactions where different approaches are possible
 - 2.4.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
 - 2.4.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made
 - 2.4.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
 - 2.4.2.6 the basis for the going concern assumption; and
 - 2.4.2.7 material misstatements detected by the auditors that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted
- 2.4.3 Internal controls and risk management systems
- The Audit Committee shall
- 2.4.3.1 set the Group's internal controls and in particular the policies and overall process for identifying and assessing business risks and managing their impact on the Group
 - 2.4.3.2 consider other topics, as defined by the Board, such as the Group's code of corporate conduct/business ethic, or the policies for ensuring that the Group complies with relevant regulatory and legal requirements;
 - 2.4.3.3 review regular assurance reports from the Investment Adviser, the Administrator, external auditors and others on the operational effectiveness of matters related to risk and control
 - 2.4.3.4 monitor the effectiveness of the Company's internal controls and risk management systems
 - 2.4.3.5 review the timeliness of, and reports on, the effectiveness of corrective action taken by Investment Adviser and the Administrator; and

MEDICX FUND LIMITED

AUDIT COMMITTEE TERMS OF REFERENCE

07 DECEMBER 2009

- 2.4.3.6 review and approve the statements to be included in the annual report concerning internal controls and risk management

2.5 Whistle blowing

The Audit Committee shall

- 2.5.1 review the Group's arrangements for the Investment Adviser's employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and

- 2.5.2 review the Company's procedures for preventing and detecting fraud

2.6 Internal audit

The Audit Committee shall

- 2.6.1 monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system

- 2.6.2 approve the appointment and removal of the internal auditor

- 2.6.3 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit Committee shall also ensure the function has adequate standing and is free from management or other restrictions

- 2.6.4 review and assess the annual internal audit plan

- 2.6.5 review promptly all reports on the Group from the internal auditors

- 2.6.6 review and monitor the Investment Adviser's responsiveness to the findings and recommendations of the internal auditor; and

- 2.6.7 meet the head of internal audit at least once a year, without Investment Adviser being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the internal auditor shall be given the right of direct access to the chairman of the Board and to the Audit Committee

2.7 Reporting responsibilities

- 2.7.1 The Audit Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities

- 2.7.2 The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed

- 2.7.3 The Audit Committee shall compile a report to shareholders on its activities to be included in the Company's annual report

MEDICX FUND LIMITED

AUDIT COMMITTEE TERMS OF REFERENCE

07 DECEMBER 2009

2.8 Other Matters

The Audit Committee shall

- 2.8.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required
- 2.8.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members
- 2.8.3 give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate
- 2.8.4 be responsible for co-ordination of the internal and external auditors
- 2.8.5 oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort
- 2.8.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval
- 2.8.7 review other disclosures or documents as determined by the Board; and

2.9 The Audit Committee is authorised:

- 2.9.1 to seek any information it requires from any officer of the Company and the Investment Adviser in order to perform its duties
- 2.9.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 2.9.3 to call any director of the Investment Adviser, and any officer of the Company to be questioned at a meeting of the Audit Committee as and when required

3. MEMBERSHIP

- 3.1 The Audit Committee shall have at least three members who shall be appointed by the Board and be drawn exclusively from the non-executive directors of the Company. All of these non-executive directors should be independent of the Investment Adviser and also be free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
- 3.2 The Chairman of the Audit Committee shall be appointed by the Board of the Company and shall be a non-executive director.
- 3.3 The membership of this Audit Committee is to be set out in the annual report and accounts of the Group. The quorum for any decisions shall be two members. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.
- 3.4 At least one member of the Audit Committee must have recent and relevant financial experience.
- 3.5 Only members of the Audit Committee have the right to attend Committee meetings. The Audit Committee may invite others to attend its meetings as it deems appropriate.
- 3.6 Scheduled Audit Committee meetings shall also be attended by the external auditor whenever appropriate.

MEDICX FUND LIMITED

AUDIT COMMITTEE TERMS OF REFERENCE

07 DECEMBER 2009

3.7 Appointments to the Audit Committee shall be for a period of up to three years, which may be extended for two further three years periods, provided the director remains independent.

3.8 The Company Secretary or its nominee shall act as the secretary of the Audit Committee.

4. PROCEDURE

4.1 The Audit Committee shall meet not less than three times a year and at such other times as circumstances require.

4.2 Meetings of the Audit Committee shall be called by the secretary of the committee at the request of any of its members or at the request of the external or internal auditors if they consider it necessary.

4.3 In the absence of the Audit Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4.4 The Audit Committee shall have discussions with the external auditors at least once a year without any executive Board members being present.

4.5 At least 5 working days' notice of any meeting of the Audit Committee shall be given, with agendas and papers circulated within 5 working days of the meeting although such notice period may be waived or shortened with the consent of all the members of the Audit Committee.

4.6 The secretary shall minute the proceedings and resolutions of all meetings of the Audit Committee, including recording the names of those present and in attendance.

4.7 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interests and the secretary shall minute them accordingly.

4.8 The minutes of the meeting of the Audit Committee shall be circulated promptly to all members of the Audit Committee and, once agreed, be made available to all members unless a conflict of interest exists.

4.9 The Audit Committee Chairman shall be available at the Annual General Meeting either in person or by telephone to answer questions on the committee's activities.