

EXPLANATORY NOTES

EXTRAORDINARY GENERAL MEETING

Resolution – Appointment of Auditor

i. Depending on :

- (i) the aggregate amount of the monies paid and received by HCF in its financial year ending on 31 December 2021, and
- (ii) the total value of HCF's assets as at the end of that year

HCF has a statutory obligation either :

- (i) to appoint a qualified auditor formally to audit its accounts and balance sheet in respect of that financial year, or
- (ii) to appoint two or more persons, who are not qualified auditors, to audit its accounts and balance sheet in respect of that financial year

ii. However, the relevant legislation gives HCF the legal power, to dispense, in certain circumstances, with the obligation to make either of the above appointments

In order for HCF to be able to dispense with the obligation:

- (i) HCF has to satisfy the applicable financial criteria set out in the relevant legislation, and, if it does
- (ii) The members of HCF who are present in a general meeting of HCF must pass a specific resolution to dispense with the obligation. Under that resolution:
 - i) At least 80% of the *votes cast* have to be in favour of dispensing with the obligation, and
 - ii) Those, if any, voting against must represent less than 10% of *all HCF's members*, (i.e. not just 10% of those members present and voting)

iii. The board of HCF is satisfied that HCF satisfies the applicable financial criteria set out in the relevant legislation

iv. Furthermore, the board's view is that

- (i) the scale of HCF's financial operations are, currently, in relative terms, extremely small in scale and simple by nature
- (ii) in the circumstances, appointing a qualified auditor, or two or more persons, who are not qualified auditors, to carry out a full audit would be disproportionate and
- (iii) the cost would be an excessive expense

v. The board therefore unanimously recommends that, (just as in the case of previous HCF financial years), a HCF shareholders' resolution be passed dispensing with the obligation to appoint a qualified auditor, or two or more persons, who are not qualified auditors, to audit the accounts and balance sheet in respect of HCF's financial year ending on 31 December 2021