



## **AUDIT COMMITTEE CHARTER**

### **Primary Responsibilities**

The Board of Directors has established an Audit Committee to review:

- The Company's accounting policies
- The content of financial statements
- Issues relating to the controls applied to the Company's activities
- The conduct, effectiveness and independence of the external audit
- Risk management and related issues
- Compliance

### **Composition**

The Audit Committee is composed of four non-executive directors who are all independent: P J Williams (Chairman), J Paterson, D A Peever, and C M Walter.

All Committee members shall be financially literate and at least one member of the Committee shall have relevant qualifications and experience (that is, should be a qualified accountant or other finance professional with experience of financial and accounting matters).

### **Frequency of Meetings**

The Committee normally meets at least four times a year. Meetings to be held in January and July would have a primary role to review and approve the content of the Company's public reporting obligations, notably the Half-Y early Report, the Annual Report and related Australian Securities Exchange reporting. The other meetings generally focus on other Audit Committee responsibilities.

### **Quorum**

A quorum for any meeting of the Committee is two members.

### **External Advice**

The Committee and Committee members may take independent professional advice in respect of their Committee responsibilities, at the expense of the Company, after advising the Chairman of the Board their intention to do so.

## Key Activities

The key activities of the Audit Committee cover the following matters:

1. Public Reporting Communications – Review of material required to be provided publicly (i.e. Annual Reports, Half-Yearly Reports, ASX Appendices 4D and 4E etc, as appropriate).
2. Corporate Governance Issues – Review the Company's corporate governance policies and practices to ensure that these are consistent with best practice, taking into account the size and structure of the Company and the nature of the Company's activities.
3. Risk Management and Internal Control Issues – To consider the Company's risk management policies, practices and internal controls as they relate to the Company's material business risks, including investment risk, taxation risk, concentration risk, operational and physical risks; including:
  - To review and approve the Risk Management Policy & Framework.
  - To report to the Board on the process and responsibilities for managing risk.
  - To confirm that appropriate risk management methodologies and practices have been implemented through:
    - Receiving risk reporting from Management to provide assurance that all key risks have been appropriately identified and managed.
    - Receiving internal audit reporting about the adequacy of risk and controls through the Internal Audit function (via Australian Investment Company Services Limited).
  - To report to the Board on the organisation's adherence to the Risk Management Policy & Framework and to report on material matters, findings and recommendations, pertaining to risk management and the internal compliance and control framework.
  - To make recommendations to the Board in relation to its responsibilities to determine the risk appetite and review, at least annually, the policies and procedures on risk oversight and management and internal control.
4. External Audit Relationship – To oversee the relationship with the Company's External Auditors. The Committee reviews the scope of the audit and the proposed fee annually. It also reviews the cost and scope of other audit related tax compliance services provided by the audit firm to ensure they do not compromise independence. Other non-audit services would not normally be provided by the external audit firm. However, if for special reasons such services were to be proposed, the Audit Committee would review the proposal to also ensure they did not affect the independence of the External Auditors. The Committee also conforms to Corporate Governance best practice regarding audit partner rotation every 5 years. In the event that the Company decides to change the External Auditors, it would enter into a competitive tender.

5. Accounting Principles and Practices – To review the Company’s accounting principles and practices and in particular any proposed changes to those principles and practices and to consider any special treatment of unusual transactions.
6. Internal Controls over Financial Reporting – To review the Company’s system of risk management and internal control over financial reporting activities, including the effectiveness of the system and/or any weaknesses or breaches.
7. Compliance – To review the Company’s policies and practices in meeting its legal and regulatory compliance obligations, including continuous disclosure requirements to the Australian Securities Exchange, reporting to the Australian Securities and Investments Commission and the Australian Tax Office.
8. Management Oversight – In private discussions with the External Auditors in the absence of the Company’s executives, to review the effectiveness of the Company’s management and staff in meeting the Company’s requirements in the areas related to the Audit Committee’s oversight.
9. Subsidiary – To receive reports in relation to 3 and 7 above in respect of the Company’s subsidiary, Australian Investment Company Services Limited.