



AUDIT SUB - COMMITTEE CHARTER

Purpose

The purpose of the sub-committee is to;

- Assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993, regarding Management's accountancy practices, policies and controls relative to the Group's financial position;
 - Review and make appropriate inquiry into the audits of the Group's financial statements by both internal and external auditors. This responsibility includes advising on the appointment of the external auditor and reviewing the scope and quality of the audit;
 - Monitor the Group's Risk Management practices and procedures;
 - Ensure that the external auditor or lead partner is changed at least every 5 years.
- The Committee has no executive powers.

Composition

The Sub-Committee, in accordance with the NZSX listing rules, shall consist of a minimum of three directors, two of which must be "independent ". There must always be a majority of "independent members" on this committee.

A quorum shall be two members. At least one member of the Audit sub-committee must have an accounting or financial background.

A person will be deemed to have adequate accounting or financial background if he or she:

- a) is a member of the Institute of Chartered Accountants of New Zealand, or has held a Chief Financial Officer position at a listed company for a period greater than 24 months; or
- b) has successfully completed a course approved by NZX for Audit committee membership; or
- c) has the experience and/ or qualifications deemed satisfactory by the Board.

The duties and responsibilities of a member of the Audit Committee are in addition to those set out for a member of the Board of Directors.

The Chairperson of the Committee, who shall not be the Chairperson of the Company, shall be appointed by the Board by formal Board resolution.

Meeting attendance, frequency of meetings and secretarial.

The CFO, Financial Accountants and Internal Audit Manager (where appropriate) and a representative of the independent auditors shall normally attend meetings. All other Board members and the Chief Executive Officer shall also normally have the right to attend. Directors who are not members of the Audit committee should only attend the Audit committee meetings at the invitation of the Audit committee Chairperson.

The Committee may instruct any officer or employee of the company to attend any meeting and provide pertinent information as necessary.

At least once a year, the Chairperson of the Committee shall meet with the External Auditor without the presence of executive management to discuss any matters that either the Committee or the External Auditor believe should be discussed privately.

The Company Secretary shall be the secretary of the Committee.

Meetings shall be held at least twice yearly or more frequently as circumstances require.

The Committee Chairperson shall convene a meeting upon request of any Committee member who considers it necessary. Whenever possible, Committee meetings shall be scheduled to allow for adequate time for Committee business, and so that they can be reported promptly and effectively to the Board.



Authority

The Committee is authorised by the Board to investigate any activity it deems appropriate. It is authorised to seek any information from any officer or employee of the company all of who are directed to co-operate with any request made by the Committee.

The Committee is authorised to engage any firm of accountants, lawyers or other professionals as the Committee sees fit to provide independent counsel and advice and to assist in any review or investigation on such matters, as the Committee deems appropriate.

The Internal Audit Function reports to the Chairperson of the Audit Committee (and administratively to the Chief Financial Officer). The Committee will be directly responsible for making recommendations to the board of directors on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness, and independence of the internal auditors.

Responsibilities and duties

The responsibilities of the committee shall be to:

- ensure that there is an open avenue of communication between the internal auditor and external auditors and the Board of Directors;
- Review annually and, if necessary propose for formal Board adoption, amendments to the Committee's Charter.
- Consider, in consultation with the External Auditors and the Internal Auditor, the audit plans and scope of the external auditors and internal auditors, ensuring that co-ordination of audit effort is maximised.
- Monitor the progress of outstanding issues on the Audit Register.
- Review the Risk Register
- **Financial Statements**

Review with management and the external auditors at the completion of the annual examination:

- (a) The Group's annual financial statements and related footnotes.
- (b) The external auditor's findings following the audit of the financial statements and report thereon.
- (c) Any significant changes, which have been required in the external auditors, audit plan.
- (d) Any significant difficulties or disputes with management encountered during the course of the audit.
- (e) Other matters related to the conduct of the audit, which are to be communicated to the Committee.

Internal Control

Enquire of management, the Internal Auditor, and the External Auditors about significant risks or exposures and evaluate the steps taken to minimise such risk to the company.

Consider and review with management and the Internal Audit Function findings of the external auditor during the year and management's responses thereto.

Consider and review with the External Auditors and Internal Audit Function:

- (a) The adequacy of the company's systems of internal control including computerised information systems controls and security;
- (b) Any related significant findings and recommendation of the external auditors and of the internal auditors, together with management's responses thereto;
- (c) The contents of the external auditors Management Letter, together with Management's responses thereto.



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INTERNATIONAL LIMITED

Reporting

The Chairperson of the Committee shall report on Committee business to the Board of Directors with such recommendations, as the Committee may deem appropriate.

The Committee shall recommend approval of the half year and annual reports and accounts to the Board of Directors, along with the associated NZSX releases.

The Secretary shall distribute copies of the minutes of meetings of the Committee to all members of the Board of Directors, and the minutes shall be an agenda paper of the next following Board meeting.

Timings of Meetings

The first meeting of the year will be held in February, prior to the release of the interim, half yearly report. This meeting should include in its agenda at least the following.

(a) Review of half yearly result, stock exchange announcements and shareholder accounts for recommendation to the main Board as to the acceptability for publishing.

(b) Consideration of external auditors proposed audit plan and fee for the June year-end statutory audit.

(c) Consideration of internal auditor reports and findings to date and plans for remaining part of the financial year.

A Meeting will also be required in August of each year, and prior to the announcement of the full year's financial result. The agenda for this meeting shall include at least the following:

(a) Review of the Group financial statements and stock exchange announcement.

(b) Consideration of the key audit issues as reported by the external auditors, together with management's response.

(c) Consideration of Internal Auditors findings in reports submitted since the previous meeting and plan for the following six-month period.

Relationship with the External Auditor

The committee should establish a formal and transparent framework for the company's relationship with its external auditors, so as :

a) to ensure that the ability and independence of the auditors to carry out their statutory audit role is not impaired.

b) to address what, if any, services other than in their statutory audit role may be provided by the Auditors to the Company and

c) to provide for the monitoring and approval by the Issuer's Audit committee of any service provided by the auditors to the Company other than in their statutory Audit role (meaning services required by any law to be provided by the Auditors, acting as such)