

# AUDIT COMMITTEE CHARTER

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## 1. Purpose of the Audit Committee

1.1 The Audit Committee oversees all matters concerning:

1.1.1 internal accounting, control and business risk management systems;

1.1.2 suitability of the group's accounting policies and principles;

1.1.3 financial reporting, including reviewing the interim and annual financial statements;

1.1.4 the internal audit function;

1.1.5 the appointment and supervision of the external auditor in respect of the statutory audit and any other matters; and

1.1.6 compliance with New Zealand and international securities laws in circumstances where a document ("offer document") published by the Company (including its subsidiaries) is, or could be deemed directly or indirectly to represent, an invitation to invest or subscribe in securities.

1.2 The Committee also authorises or approves certain actions or situations, as described in this Charter.

## 2. Constitution And Membership

2.1 The Audit Committee is appointed by the Board from among the non-executive directors of the Company. It consists of not less than three members.

2.2 The chairman of the Audit Committee is appointed by the Board and the Company Secretary acts as the Secretary of the Audit Committee.

2.3 A quorum is two members, one of whom must be the Chairman of the Audit Committee.

2.4 The Audit Committee may have in attendance such members of management and such other persons as

it may deem necessary to provide appropriate information or explanations.

- 2.5 The external auditor attends all meetings of the Audit Committee.
- 2.6 All directors other than executive directors are entitled to attend meetings of the Audit Committee.
- 2.7 A majority of the members of the Audit Committee must be independent directors, as defined in the New Zealand Stock Exchange Listing Rules.
- 2.8 At least one member of the Audit Committee shall have appropriate expertise in financial matters.

### **3. Authority**

- 3.1 The Audit Committee is authorised by the Board to investigate any activity covered by its roles. It is authorised to seek any information it requires from any employee and all employees must cooperate with any request made by the Audit Committee.
- 3.2 Any employee has access to the Chairman of the Audit Committee and the internal auditor at any time.
- 3.3 The Audit Committee has the authority of the Board 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.

### **4. Responsibilities**

#### **Internal accounting, control and business risk management systems**

- 4.1 The Audit Committee monitors the effectiveness of the Company's internal accounting, control and business risk management systems in:
  - 4.1.1 providing for the maintenance of books, records and accounts that accurately and fairly reflect the Company's transactions and dispositions of the Company's assets and are supported by sound and adequate systems of internal accounting control;

- 4.1.2 protecting the assets of the Company from undue risk arising either from a failure to adhere to prescribed policies and procedures, including fraud or malpractice;
- 4.1.3 providing for the establishment of business risk management policies and the effective assessment and management of business risk;
- 4.1.4 ensuring that timely and accurate management information is available;
- 4.1.5 immediately identifying significant transactions outside the Company's normal course of business;
- 4.1.6 monitoring any changes to applicable financial reporting and accounting standards and their impact on the Company;
- 4.1.7 providing the policies and procedures required to monitor executive management related expenditures;
- 4.1.8 requiring compliance with the policies and procedures in force in respect of accounting policies, financial reporting, internal control, external audit and environmental and health and safety compliance in all jurisdictions in which the Company operates;
- 4.1.9 making the Board aware of the current areas of greatest financial and business risk and ensure management is effectively managing the risks;
- 4.1.10 assisting and encouraging the adoption and implementation by the Company of the appropriate standards of external financial reporting and financial risk management;
- 4.1.11 providing for the effective collection, processing and disclosure in the Company's, annual report, annual financial statements, half year report and half-yearly financial statements and other required public filings of both financial and non-financial information required to be disclosed in such filings.

- 4.2 Management is responsible for establishing, maintaining and evaluating adequate systems of financial internal control and business risk management throughout the Company. This will be achieved by the CFO establishing and monitoring an internal audit function at business unit level. The Audit Committee shall monitor the operation of these systems of internal audit by at least annually obtaining and reviewing appropriate reports from the internal auditor, the external auditor, the CFO and any other persons it requires.
- 4.3 The auditor will remain responsible to the shareholders for the exercise of their statutory responsibilities to determine that:
- 4.3.1 the financial statements of the Company present a true and fair view of the results of and the state of the Company's affairs;
  - 4.3.2 proper accounting records have been kept by the Company; and
  - 4.3.3 the Company's financial statements contain the information required by the Companies Act 1993, the Financial Reporting Act 1993, applicable accounting standards and other applicable statutes or regulations.
- 4.4 The internal auditor will remain part of the management process. Their tasks and responsibilities will, where necessary, be identified in conjunction with the external auditor. A primary function of the Audit Committee will be to encourage the independence of the internal audit function.
- 4.5 The Audit Committee shall be solely and directly responsible for the terms and conditions of the external auditor's appointment and compensation, and for oversight of the work of the Company's external auditor. The Audit Committee will discuss these matters with the Board and seek guidance wherever appropriate. The Audit Committee will provide reports to the Board on all material matters.
- 4.6 The Audit Committee shall form an opinion whether or not the half yearly and annual Company financial statements give a true and fair view of the results

for the period and the financial condition of the Company at the time of their issue.

4.7 The ability to form this opinion will be based on the Audit Committee's judgement as to the adequacy of the work completed by the internal and external auditor in reviewing the accounting records and systems, testing Management's compliance with internal control systems and reporting to the Audit Committee on their review. The Audit Committee will, in forming its opinion, consider:

4.7.1 any changes in accounting policies and practices;

4.7.2 major judgmental areas;

4.7.3 significant adjustments resulting from the audit;

4.7.4 all significant variances between the figures for the current period and the previous period and previous corresponding period;

4.7.5 any legal matters that could have a significant impact;

4.7.6 the extent to which there are items in dispute with the tax authorities and the adequacy of tax provisions;

4.7.7 the going concern assumption.

4.8 Having satisfied itself that the financial statements may be relied upon, the Audit Committee will then consider whether they:

4.8.1 comply with the Company's accounting policies;

4.8.2 comply with generally accepted accounting standards and practice; and

4.8.3 fairly state the results and financial condition of the group for the relevant period.

4.9 The Audit Committee will monitor Management's responsibility to ensure that the financial statements comply with all statutory requirements, stock

exchange requirements, securities regulations and any other like obligations.

- 4.10 Completion of the review of the financial statements will enable the Audit Committee to make recommendations orally or in writing to the Board on the adoption or otherwise of the financial statements before external release.
- 4.11 The final task of the Audit Committee will be to monitor Management's responsibility to ensure consistency between the annual report and the annual financial statements, and between the half-year report and the half-year financial statements.

## **5. Specific Responsibilities**

- 5.1 In fulfilling its responsibilities the Audit Committee may give consideration to, among such other matters as it thinks fit, these actions:
  - 5.1.1 Reaching and recording agreement with the external auditor on how the nature and scope of the audit will be determined.
  - 5.1.2 Monitoring the overall effectiveness of internal control systems by receipt of an annual report by the Chairman of the Audit Committee from the external auditor addressing the results of the internal control reviews undertaken by the external auditor on behalf of the Audit Committee.
  - 5.1.3 Monitoring the effectiveness of the internal audit function including, but not necessarily limited to, the receipt of the reports mentioned in paragraph 4.2 of this Charter.
  - 5.1.4 Obtaining reports from the CFO on any recommended changes in accounting and business risk management policies and any changes in accounting practices which are relevant to the Company.
  - 5.1.5 Arranging meetings with the external auditor on matters arising from reports received on the external financial statements.
  - 5.1.6 Meeting at least annually with the external auditor without any Company executives

being present and arranging that the external auditor will at all times have unrestricted access to the Chairman of the Audit Committee.

5.1.7 Reporting orally or in writing to the Board from time to time on:

- whether external reporting is consistent with Audit Committee members' information and knowledge and is adequate for shareholder needs;
- management processes supporting external reporting;
- procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- the performance and independence of the external auditor and whether the Audit Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- the performance and objectivity of the internal audit function, including any problems experienced by the internal auditor and recommendations made;
- the results of its review of risk management and internal compliance and control systems;
- the Audit Committee's decision as to the remuneration of the external auditor;
- business risks, their management and adequacy of risk management policies and procedures.

5.2 The Committee is delegated the task of:

5.2.1 establishing and overseeing the due diligence processes for offer documents

## **6. Reporting Procedures**

- 6.1 An agenda and Audit Committee papers will be prepared and circulated to all directors of the Company including the members of the Audit Committee prior to meetings. The Company Secretary shall keep minutes of the Audit Committee's meetings, which shall be circulated to all members of the Board and to the external auditor. Meetings of the Audit Committee shall be held at such frequency as shall be determined by the Audit Committee unless the Board resolves otherwise.
- 6.2 The Company is complex and operates in several jurisdictions with differing accounting practices. Management will have the responsibility of keeping the Audit Committee up-to-date with trends and proposed changes in international accounting practice.
- 6.3 The CFO will be responsible for drawing to the Audit Committee's immediate attention any material adverse matters that relate to the financial condition of the Company, any material breakdowns in internal controls and any material events of fraud or malpractice once evidence of such events is available.
- 6.4 Any communication from the external auditor addressed to the Audit Committee shall be circulated immediately.
- 6.5 The Chairman of the Audit Committee shall report back to the Board at the next appropriate meeting on any substantive matters raised and addressed by the Audit Committee.

## **7. Auditor Independence**

- 7.1 The Audit Committee must, in accordance with the Auditor Independence Policy approved by the Board, pre-approve all audit-related services and non-audit services to be provided by the Company's audit firm to ensure that they do not impair the external audit firm's independence from the Company. The Board or the Audit Committee may establish policies and procedures delegating pre-approval of audit and non-audit services to the Chairman of the Audit Committee, provided that the

procedures are detailed as to the particular services covered by the delegation, members of the Audit Committee are promptly informed of any such pre-approved services, the Audit Committee is informed of each service at its next scheduled meeting, and the procedures do not delegate the Audit Committee responsibilities to Management.

7.2 The Audit Committee shall satisfy itself that the external auditor and its staff are not prohibited from performing any services by relevant law.

7.3 The Audit Committee will ensure that the external auditor or lead audit partner is changed at least every five years.

## **8. Auditor's Statement of Independence**

The Audit Committee shall require the external auditor to prepare and deliver annually a Statement as to Independence (it being understood that the auditor is responsible for the accuracy and completeness of this Statement) which shall describe the services provided by the auditor during the prior annual period and any relationships that may impact on the objectivity and independence of the auditor, and which shall contain confirmation from the auditor that the services provided by the auditor are in compliance with relevant law and the Company's auditor independence policy relating to the independence of external auditor.

## **9. Document Retention**

The Audit Committee shall ensure that the Company has in place an appropriate policy on document retention and destruction, and also ensure that the external auditor maintains audit working papers for at least seven years.

## **10. Whistleblowing**

The Audit Committee will establish procedures for the receipt, retention and processing of complaints regarding accounting, internal controls or auditing matters, and for the confidential anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

## **11. External Lawyer Reporting**

The Audit Committee shall permit the direct reporting to the Audit Committee by the Company's external legal advisers of any evidence of a material violation of securities law or a breach of fiduciary duty or similar violation by the Company or its agents that the external legal advisers consider has not been appropriately responded to by Management or Company Secretary.

## **12. Annual Audit Committee Performance Evaluation**

The Chairman of the Board, in conjunction with the Chairman of the Audit Committee, shall review, at least annually, the Audit Committee's performance and report its findings to the Board.

Approved by the Board  
10 August 2005