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## **PRO-PAC GROUP**

### **Audit committee charter**

Adopted by resolution of the Board on [21 MARCH 2005]

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## **1 Composition and administration**

### **Composition**

- 1.1 The Committee will be appointed by the Board and so far as is possible:
- 1.1.1 comprise only non-executive Directors;
  - 1.1.2 comprise a majority of independent Directors;
  - 1.1.3 include an independent chairman, who is not chairman of the Board; and
  - 1.1.4 comprise at least three members.
  - 1.1.5 comprise members who are financially literate (ie they must be able to read and understand financial statements); and
  - 1.1.6 have at least one of the Committee members with financial expertise (ie is a qualified accountant or other financial professional with experience of financial and accounting matters);
  - 1.1.7 have at least one of the Committee members with an understanding of the industry in which the entity operates.

### **Term**

- 1.2 The Board will confirm membership of the Committee yearly

### **Administration and procedures**

- 1.3 The Committee will regulate itself in accordance with the procedures set out in section 11 of the Board Charter.

## **2 Role of the Committee**

- 2.1 The role of the Committee is to advise the Board on the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

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### **3 Responsibilities of the Committee**

3.1 The Committee has responsibility for the following:

- 3.1.1 Review the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor;
- 3.1.2 Evaluate the adequacy and effectiveness of the administrative, operating and control systems used by the Company to discharge its duties including the processes supporting external reporting;
- 3.1.3 Liaise with the external auditors and ensuring that the annual audit is conducted in an effective manner that is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- 3.1.4 Review all significant accounting policy changes;
- 3.1.5 Monitor compliance with approved policies and controls;
- 3.1.6 Review financial statements and other financial information distributed externally;
- 3.1.7 Advise the Board on whether external reporting is consistent with the Committee members' information and knowledge and is adequate for shareholder needs;
- 3.1.8 Monitor compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) ; and
- 3.1.9 Review for approval by the Board the corporate governance statement for inclusion in the annual report or any other public document.

### **4 Authority and powers**

#### **Authority**

4.1 The Committee has authority to:

- 4.1.1 Investigate any matter brought to its attention;
- 4.1.2 Obtain any information that it requires from any employee of Company in order to discharge its responsibilities;
- 4.1.3 Have direct access to any employee or contractor of the Company and seek any information that it requires from any employees of the Company in order to discharge its responsibilities; and
- 4.1.4 Have direct access to independent auditors, company, tax and other financial advisors and company papers and lawyers.

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## **Powers**

- 4.2 The Committee has an advisory role to assist the Board and does not have any power to commit the Board to any recommendation or decision made by it except if it has express delegated authority from the Board.

## **5 Audit engagement policy**

- 5.1 The Committee's criteria for selecting external auditors includes the following:
- 5.1.1 The extent of any current or past connection or association with the Company or with any member of senior management that could in any way impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to the Company. ;
  - 5.1.2 Their general reputation for independence and probity and professional standing within the business community;
  - 5.1.3 Their knowledge of the industry within which the Company operates; and
  - 5.1.4 The extent to which audit staff employed by the external audit partner, including the partner or other principal with overall responsibility for the engagement, are required to be rotated periodically, and in any event at intervals not exceeding five years, so as to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to the Company.

## **6 Audit process**

- 6.1 The Committee has adopted the following audit planning process:
- 6.1.1 As required during the year, it will:
    - (a) Discuss the external audit plan, Discuss any significant problems that may be foreseen and Discuss the impact of any proposed changes in accounting policies on the financial statements;
    - (b) Review the nature and impact of any changes in accounting policies adopted by the Group during the year and the fees proposed for the audit work to be performed; and
    - (c) organise, review and report on any special reviews or investigations deemed necessary by the Board.
  - 6.1.2 Prior to announcement of results, it will:
    - (a) Make the necessary recommendation to the Board for the approval of these documents.
    - (b) Review the results and findings of the audit (or audit review), the adequacy of accounting, financial and operating controls and the implementation of any recommendations made;

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- (c) Review the pro-forma half-yearly and pro-forma preliminary final report, draft financial report and the audit report (or audit review report) and make the necessary recommendations to the Board for the approval of the financial report.

## **7 Performance review**

- 7.1 Periodically, the Committee should review its functions, roles and responsibilities and assess whether it is working effectively in terms of this charter and current market practices and make appropriate recommendations to the Board.