



AUDIT AND RISK COMMITTEE CHARTER

1. Overall Purpose & Objectives

- The Audit and Risk Committee shall be a Committee of the Board of Tourism Holdings Limited established by the Board.
- The main objectives of the Audit and Risk Committee are:

Assisting the Board to discharge its responsibility to exercise due care, diligence and skill in relation to the Group's:

- Reporting of financial information;
- Application of accounting policies;
- Financial management;
- Internal control system;
- Risk management system;
- Business policies and practices;
- Protection of the Group's assets; and
- Compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial disclosure.

2. Membership

- Members of the Committee shall comprise members of the Board, appointed by the Board.
- The number of members of the Committee shall be not less than three independent non-executive directors.
- The Managing Director shall not be a member of the Committee.
- At least one director members shall have an accounting or financial background.
- The Board shall appoint a Chairman from the independent non-executive members of the Committee.
- The Chairman of the Board shall not be Chairman of the Committee.

3. Meetings of the Committee

- A quorum of members of the Committee shall be three.
- The Committee may have in attendance such members of management, including the Chief Financial Officer, and such other persons, including the external auditors, as it considers necessary to provide appropriate information and explanations.
- Meetings shall be held not less than three times a year having regard to the company's reporting and audit cycle
 - At the planning stage of the Audit
 - Before the publication of the half yearly financial statements
 - Before the Directors meet to approve the annual financial statements and annual report
- All directors shall be entitled to attend meetings of the Committee. The Managing Director shall not be entitled to attend those meetings which the Committee chooses to hold without any company executives present.
- Any member of the Committee, the Managing Director, the Chief Financial Officer or the external auditors may request a meeting at any time they consider it necessary.
- Reasonable notice of meetings and the business to be conducted shall be given to the Members of the Committee, all other members of the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditors.
- The Audit and Risk Committee will meet in Committee at the end of each Audit and Risk Committee meeting.
- Minutes of all meetings shall be kept.

4. Responsibilities of the Committee

The Audit and Risk Committee has oversight responsibility in three areas:

- Financial Reporting
- Audit Functions
- Risk Management and Control

4.1 Financial Reporting

- Ensuring that the Company retains accurate financial and accounting records.
- Obtaining from the Managing Director and the Chief Financial Officer a formal statement that the company's financial reports present a true and fair view, in all materials respects, and the company's financial condition and operational results are in accordance with applicable accounting standards.
- Reviewing the half yearly and annual financial statements and reports and advising all directors whether they comply with the relevant and appropriate laws, regulations and recognised accounting policies.

APPENDIX 2

- Oversight of compliance and statutory responsibilities relating to financial and Stock Exchange regulations and guidelines.
- Reviewing financial information prior to its release to the Stock Exchange and media.
- Reviewing the Company's accounting policies and reporting requirements to ensure accuracy and timeliness and the inclusion of appropriate disclosures.
- Considering matters which might be raised by members at the Annual Meeting.

4.2 Audit Functions

- Recommending the appointment and removal of external auditors, and internal auditors, their fees and the terms of their engagement.
- Ensuring the rotation of the senior audit partner and peer review partner at approximately five yearly intervals with suitable succession planning.
- Direct communication with and unrestricted access to the external and internal auditors and accountants.
- Review of the annual audit plan with the external auditors.
- Monitoring and reviewing the external and internal auditing practices.
- Services to be provided by the external auditor are as follows:
 - The external auditors are authorised to provide the following types of services:
 - Statutory and other auditors.
 - The external auditors will not provide the following types of services:
 - Management consultancy and, in particular, the selection and implementation of information systems.
 - Information and other business risk assurance, including Forensic.
 - Outsourcing of internal audit.
 - Purchase and vendor due diligence in M&A, including advice on tax deal structures.
 - Valuation which will then be subject of their audit
 - Book-keeping services
 - Tax compliance and advisory.
 - Any other advisory services required from our external auditors must be first approved by the Chief Financial Officer and if over \$10,000 be approved by the Board.
 - Total non-audit fees to be regularly monitored by the Board.

APPENDIX 2

- Reviewing the internal audit function, including their independence, reporting obligations, quality of work, compliance with terms of engagement, and proposed audit plans including coordination with the external auditors and to generally ensure that adequate internal controls are in place.
- Approving the annual internal audit plan.
- Ensuring the internal audit function is adequately resourced and has an appropriate standing in the company.
- Reviewing the effectiveness of the internal audit function based on the following criteria:
 - Scope of internal auditors work;
 - Quality of their reports;
 - Their independence of the review areas; and
 - Their relationship with external auditors.
- Receiving internal audit reports from completed audits and ensuring that recommendations highlighted in the internal audit reports are actioned by management.
- Following up the implementation of recommendations made by external and internal auditors.
- Ensuring that reports issued by Auditors to management are tabled at Board Meetings together with management's response.

4.3 Risk Management and Control

- Monitoring of Tourism Holdings Limited risk universe including Governance, Operations, Financial, Information, Business Environment and Transactions including consideration and prioritisation of the nature and extent of risks facing the company, the likelihood of those risks materialising, the company's ability to reduce the incidence and impact of those risks, and the cost of operating controls relative to the risks.
- Ensuring Tourism Holdings Limited maintains an up to date risk profile for its business and ensures that, where appropriate, business continuity/disaster recovery plans are in place and are well understood throughout the organisation.
- Obtaining from management a report of changes to significant business risks (e.g. new or emerging risks, changes in risk assessments, etc.)

APPENDIX 2

- Obtaining from the Managing Director and the Chief Financial Officer a written statement that:
 - The statement given to the Audit and Risk Committee in respect of the company's financial reports presenting a true and fair view, in all material respects, and the company's financial condition and operational results are in accordance with applicable accounting standards (by the Managing Director and the Chief Financial Officer) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - The Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.
- Ensuring that the Company maintains appropriate business continuity, material damage and liability insurance covers to ensure that the earnings of the business are well protected from adverse circumstances.
- Reviewing the Company's Code of Ethics, compliance with the law as it relates to financial matters and compliance with the NZX Best Practice Code.
- Review of the frequency and significance of all transactions between the Company and related parties and assessment of their propriety.

5. **Authority**

- The Committee is authorised by the Board to investigate any activity within its terms of reference as set out in section 4.0 of this Charter.
- It is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee.
- The Committee is authorised by the Board to obtain, at the expense of the company, outside legal or other independent professional advice and to arrange for the attendance at meetings, at the expense of the company, of outside parties with relevant experience an expertise it considers necessary.

6. **Review of the Committee**

The Committee shall undertake periodic self-review of its performance and compliance with the Charter

7. **Reporting Procedures**

- The Committee shall maintain direct lines of communication with the external auditors, the Managing Director, the Chief Financial Officer, and the internal auditors and with management generally.
- Management are required to immediately notify the Audit and Risk Committee of any material breakdown in internal controls and any event of fraud or malpractice. Should a material breakdown in internal control be uncovered by the internal auditor or external auditor, management and the internal auditor or external auditor are immediately required to inform the Audit and Risk Committee.

APPENDIX 2

- Any reporting of a material breakdown in internal control and any event of fraud or malpractice must also be accompanied with management's proposed corrective actions.
- The Committee shall be provided with copies of all letters between the external auditors and management.
- After each Committee meeting the Chairman shall report the Committee's findings and recommendations to the Board.
- The minutes of all Committee meetings shall be circulated to members and the Board, the Chief Financial Officer and the external auditors.
- The Chairman shall present an annual report to the Board summarising the Committee's activities during the year and any related significant results and findings.

Ratified by the Tourism Holdings Limited Board of Directors on 16th November 2004.