

Audit Committee Terms of Reference

27 August 2004

1. Constitution

The Audit Committee shall be a committee of the Pyne Gould Corporation, MARAC and Perpetual Trust Boards, established by resolution of the Board.

2. Objectives

The objectives of the Audit Committee are to assist the Board to:

- discharge its financial reporting and regulatory responsibilities;
- ensure the ability and independence of the external auditor to carry out its statutory audit role is not impaired; and
- maintain effective internal audit and internal control systems.

The existence of the Audit Committee does not remove responsibility from the Board for duties which have been delegated to the Committee, or the need for the Board to monitor that delegation.

3. Membership

Members of the Committee shall comprise solely Directors appointed by the Board. The majority of the members shall be Independent Directors as defined by NZX Listing Rules.

The number of members appointed to the Committee shall be no less than three. The chair of the Committee shall be appointed by the Board. He/she shall be an Independent Director who is not also chairman of the Board.

At least one member of the Committee shall have a good understanding of generally accepted accounting principles and have a financial background.

4. Secretarial / Meetings

Directors who are not members of the Audit Committee, the CEO, CFO, internal or external auditor, shall only attend meetings at the invitation of the Audit Committee.

A notice and agenda shall be prepared and circulated to all members and attendees within a reasonable time frame.

A quorum for a meeting shall be a simple majority of members of the Committee.

Meetings shall be held at least four times a year having due regard to the company's reporting and audit cycle.

Minutes shall be kept of all meetings and circulated to all Committee members, the Board, CEO, CFO, internal and external auditors.

Proceedings of the Committee shall follow those prescribed for the Board in the constitution unless otherwise specified in these terms of reference.

A member of the Committee who is also an executive director will be excluded from the part of the meeting at which the Committee wishes to discuss any matters without the presence of management.

5. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference or as directed by the Board. The Committee 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 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 and expertise if it considers this necessary.

6. Responsibilities and Duties

To meet its objectives, the responsibilities and duties assumed by the Committee on behalf of the Board, will include the following:

6.1 Duties with respect to the external audit function:

- Review the external auditor's audit plan for carrying out their statutory role
- Discuss with the external auditor the nature and scope of the audit (including any significant ventures, investments or operations which are not subject to audit) and ensure co-ordination if more than one audit firm is involved
- Review reports from the auditors on their findings and on material weaknesses in accounting and internal control systems that come to the auditor's attention
- Discuss any difficulties, reservations, differences of opinion or other matters arising from the external auditor's findings (in the absence of management where necessary)
- Approve and monitor any non-audit work undertaken by the external auditor
- Review the independence and objectivity of the external auditor
- Make recommendations on the appointment and removal of the external auditor
- Approve fees paid to the external auditor
- Review and consider the performance and cost effectiveness of the external audit function
- Ensure that the external auditor or lead audit partner is changed at least every five years
- Establish policies and guidelines surrounding hiring employees or former employees of the external auditor

6.2 Duties with respect to the internal audit function:

- Review the objectives and scope of the internal audit function
- Liaise with, and review the operations of, the internal audit function
- Review significant matters reported by the internal audit function and how management is responding to these
- Review significant differences of opinion between management and the internal auditor
- Review the co-operation and co-ordination between internal and external audit
- Assess the performance of the internal audit function
- Consider the appointment, resignation or dismissal of the head of internal audit

- Ensure that the function is adequately resourced, and has appropriate authority and standing within the company

6.3 Duties with respect to the company's financial statements:

Review and discuss with management and the external auditor the interim and annual financial statements, focusing particularly on:

- The quality and acceptability of the accounting policies and practices, financial reporting disclosures and changes thereto
- Areas involving significant judgement, estimation or uncertainty
- Material misstatements detected by the external auditor that have not been corrected and management's explanations as to why they have not been adjusted
- The basis for the going-concern assumption
- Compliance with financial reporting standards and relevant financial and governance reporting requirements

6.4 Other duties:

- Review the effectiveness of the internal control systems
- Monitor management's response and action in response to reported weaknesses in controls and systems
- Review internal and external audit plans to ensure key financial risk areas are covered
- Review the quality and reliability of financial information produced
- Direct and supervise investigations into any activities within its scope of duties, e.g. internal control weaknesses, fraud or misconduct
- Oversee 'whistle blowing' policies and procedures established within the company

6.5 Duties and delegated authorities with respect to the approval and signing of financial statements, prospectuses, certificates etc.

7. Review of the Committee

The Board shall undertake a regular review of the Committee's performance, objectives and responsibilities.

8. Communication and Reporting Procedures

The Committee shall maintain direct lines of communication with the external auditor, CEO, CFO and internal auditor and, where necessary, with management responsible for financial risk management.

The CEO and CFO shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls, and any material event of fraud or malpractice.

Copies of all reports submitted to the Committee will be circulated to all Directors.

After each Committee meeting the chairman shall report the Committee's findings and recommendations to the Board.