



## **Digislide Holdings Limited**

A.B.N. 75 105 012 066

# **Audit Charter**

September 2008

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## 1 Introduction

This Charter sets out the operations of the Audit Committee.

## 2 Definitions

General terms and abbreviations used in this Charter have the following meaning set out below.

<b>Board</b>	the board of directors of Digislide
<b>Committee</b>	Audit Committee
<b>CEO</b>	Chief Executive Officer, who may also be the Managing Director
<b>CFO</b>	Chief Financial Officer
<b>Chair</b>	chair of the Board
<b>Charter</b>	this Audit Charter
<b>Constitution</b>	the Company's constitution
<b>Digislide or the Company</b>	Digislide Holdings Limited A.B.N. 75 105 012 066
<b>Officer</b>	A senior executive of Digislide

## 3 Review of Charter

At least annually, the Committee shall review and reassess this charter and recommend any proposed changes to the Board for its approval.

## 4 Membership of Committee

The Committee shall be appointed by the Board.

The Committee shall be composed of at least three directors, viz:

- Leon Milford;
- Lin Chan; and
- Ian Mutton

each of whom is independent of management and the Company.

Each member of the Committee shall be free of any relationship that, in the opinion of the board of directors, would interfere with their exercise of independent judgment

All Committee members shall be able to read and understand fundamental financial statements, and at least one member shall have accounting or related financial management expertise which results in the individual's financial sophistication.

The Chairman of the Committee shall be designated by a majority vote of the full Committee, and this person shall not be the Chairman of the Board of Directors.

Committee members shall serve until their successors are duly appointed and qualified or until their earlier removal by the Board at any time.

## 5 Purpose

The audit Committee shall provide assistance to the board of directors in fulfilling their oversight responsibility to the Shareholders, potential Shareholders, the investment community, and others relating to:

- the integrity of the Company's financial statements;
- the accounting and financial reporting process;
- the systems of internal accounting and financial controls;
- the performance of the Company's internal audit function and independent auditors;
- the independent auditor's qualifications and independence; and
- the Company's compliance with ethics policies and legal and regulatory requirements.

In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal auditors, and management of the Company.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention within its purpose and duties. The Committee shall have full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties and the Company shall provide appropriate funding for the Committee to retain such advisors.

## 6 Duties and Responsibilities

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the board and report the results of their activities to the board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

Management is responsible for determining that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles and for ensuring that the Company has effective internal controls.

The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances.

The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behaviour.

The principal duties and responsibilities of the Audit Committee are set forth below as a guide, with the understanding that the Committee may supplement them as appropriate:

- the Committee shall have direct responsibility for the appointment and termination (subject, if applicable, to shareholder ratification), compensation, and oversight of the

work of the independent auditors, including resolution of disagreements between management and the auditor regarding financial reporting;

- the independent auditors shall report directly to the Committee;
- the Company shall provide for appropriate funding, as determined by the Committee, for payment to the independent auditors;
- the Committee shall pre-approve all audit and permitted non-audit services provided by the independent auditors;
- the Committee may delegate pre-approval authority to a member of the audit Committee;
- the decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting;
- at least annually, the Committee shall evaluate the effectiveness and objectivity of the Company's independent auditors;
- at least annually, the Committee shall obtain and review a report by the independent auditors describing:
  1. the auditor's internal quality control procedures;
  2. any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
  3. all relationships between the independent auditor and the Company (to assess the auditor's independence)
- the Committee shall discuss with the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. Also, the Committee shall discuss with management and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs;
- the Committee shall meet separately periodically with each of management, the internal auditors, and the independent auditors to discuss issues and concerns warranting Committee attention. The Committee shall provide sufficient opportunity for the independent auditors to meet privately with the members of the Committee. The Committee shall review with the independent auditor any audit problems or difficulties and management's response;
- the Committee shall receive regular reports from the independent auditor on the critical accounting policies, practices and judgments of the Company, and all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management;
- the Committee shall review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' report on management's assertion;
- the Committee shall review earnings press releases, as well as financial information and earnings guidance provided to analysts or similar rating agencies;
- the Committee shall review and discuss with management and independent auditors the annual audited financial statements to be included in the Company's annual report and any other financial disclosures to be publicly released, prior to their release. Discussion should include, where appropriate, a discussion concerning the Corporation's accounting principles, critical accounting estimates, financial statement presentation, significant financial reporting issues and judgments (including off-balance sheet structures and the

use of pro forma or non-GAAP financial information), the adequacy of the Company's internal controls, and any regulatory and accounting initiatives, correspondence with regulators, or published reports that raise material issues with respect to, or that could have a significant effect on, the Company's financial statements. The Committee shall also provide the independent auditors with an opportunity to communicate any matters required to be disclosed to the Committee under GAAP;

- the Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters;
- the Committee shall receive corporate legal counsels' reports of evidence of a material violation of securities laws or breaches of fiduciary duty;
- the Committee shall prepare its report to be included in the Company's annual report;
- the Committee shall establish a procedure for the approval of all related party transactions involving Directors and Officers; and
- The Committee shall perform an evaluation of its performance at least annually.

## **7 Meetings**

The Committee shall meet as often as it shall determine, but not less frequently than annually.

The Committee may request any Officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or any consultant to, the Committee.

Except as otherwise provided by the Constitution or By-Laws of the Company, the frequency, location and operation of meetings and similar procedural matters relating to the Committee shall, to the extent applicable, be the same as those that relate to meetings of, and procedural matters concerning, the Board.

The Chairman of the Committee shall appoint a secretary of the Committee.

## **8 Information to be made available**

The following material should be included in the annual report:

- the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee;
- the numbers of meetings of the audit committee; and
- an explanation of any departure from any recommendations set out in the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council.

The following material should remain publicly available, by being posted to the Company's website in a clearly marked corporate governance section:

- this Charter; and
- information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement .

## **9 Procedures for the selections and appointments**

Digislide's current external auditors are Hayes Knight (SA). The effectiveness, performance and independence of the external auditors are reviewed by the Board, at least twice a year, following the conclusion of preparation of the half yearly and annual report.

If it becomes necessary to replace the external auditors for performance or independence reasons, the Board will then formalise a procedure and policy for the selection and appointment of new auditors.

## **10 Independence**

The external auditors are required to make an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with the Corporations Act and the rules of the professional accounting bodies.

Details of the amounts paid for both audit work and non-audit services will be set out in the annual report.

The Board requires that adequate handover occur in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

## **11 Attendance at annual general meetings**

The external auditors are expected to attend and be available to answer questions at Digislide's annual general meetings.