

Audit Risk and Committee Charter Policy

Issue Date: 19/03/10 • Version 1.00

1 Purpose

This Charter sets out the basis on which the Board has established an Audit and Risk Committee pursuant to the authority contained in, and subject to the provisions of, the Constitution.

2 Role and objectives of the Committee

The primary role of the Committee is to assist the Board in fulfilling its responsibility relating to accounting and reporting practices of the Gerard Lighting Group companies (the Group), and to advise on any matters of financial and regulatory significance which may be referred to the Board from time to time.

The overriding objective of the Committee is to provide an independent and objective oversight of financial and other reporting process, which includes:

- monitoring and reviewing:
 - the integrity of financial statements;
 - internal financial controls and risk management systems;
 - the independence, objectivity and effectiveness of the external auditors;
 - legal and regulatory compliance;
- making recommendations to the Board in relation to the appointment of the external auditors, and approving the remuneration and terms of their engagement.

3 Responsibilities

In order to fulfill its responsibilities to the Board, the Committee will:

Financial Statements

- review significant accounting and reporting issues, including complex or unusual transactions and judgments on accounting and reporting issues;
- review recent professional and regulatory issues and pronouncements and their impact on the financial statements;

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- review the period financial statements and consider whether they are complete, consistent with information known to Committee members and reflect appropriate accounting principles;
- review interim financial reports with management and the external auditors before filing with regulators and consider whether they are complete and consistent with the information known to Committee members;
- review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information;
- review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards;
- understand how management develops interim financial information, and the nature and extent external auditor involvement; and
- understand and resolve different views between management and the external auditors regarding financial reporting.

External Audit

- make recommendations to the Board as to the appointment of external auditors;
- submit to the Board for its consideration proposed fees in respect of the external audits;
- monitor the adequacy of the external audits;
- consider and if thought adequate approve the audit plan proposed by the external auditors;
- commission such enquiry by the external auditors as the Committee deems appropriate;
- on a regular basis, and as necessary, meet separately with the external auditors without management present;
- review reports received from the external auditors;
- review management responses to matters raised by the external audits;

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- regularly review management activity in relation to audit findings to ensure that issues are being managed in an appropriate and timely manner;
- ensure that the applicable provisions of the Corporations Act are adhered to in relation to auditor rotation;
- review, at least annually, the external auditors' engagement;
- approve the annual engagement letter; and
- assess, at least annually, whether the external auditors meet the Audit Independence tests set out in Professional Statement FI Professional Independence as well as any additional auditor independence requirements set out in any Australian Prudential Regulation Authority (APRA) Prudential Standards.

Selection and appointment of External Auditor

At least every five years, the Committee will review the performance and value of the external auditors' services and, if appropriate, the Committee will tender the external audit contract. In assessing any tenders, the Committee may interview the firms and/or seek additional information in support of the tender.

The Committee shall ensure that the external auditors are provided with an opportunity to raise matters directly with the Board.

Internal Control

- consider the effectiveness of internal controls over annual and interim financial reporting, including information technology security and control;
- understand the scope of the external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management responses.

Operational risk

- approve and regularly review any policies of the Gerard Lighting Group relevant to the operational risk function;

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- review the effectiveness of the system for monitoring key operational risks and the progress of management actions being implemented to address these risks;
- establish procedures for dealing with 'Whistleblower' complaints and review periodically any significant matters received.

Compliance, legal and regulatory matters

- approve and regularly review any policies of the Gerard Lighting Group relevant to the compliance function;
- review the effectiveness of the system for monitoring compliance with laws and regulations and management response to any instances of non compliance by making recommendations on responses, including disciplinary action;
- obtain and review regular updates from management regarding compliance matters;
- review the findings of any examination by a regulatory agency and any auditor observations;
- obtain regular updates on the status of material open litigation and other proceedings and the related provisions; and

4 Composition

Unless otherwise determined by the Board, the Committee will consist of at least three members, each of whom will be appointed or removed by the Board.

It is intended that all members of the Committee shall be non-executive directors of the Board, and that a majority of the members of the Committee shall be independent.

Members of the Committee will be appointed for a term of three years which will be confirmed each year by the Board. Members of the Committee are eligible for re-appointment at the end of their term. At the discretion of the Board, membership of the Committee is intended to be rotated periodically, subject to the need to ensure continuity.

The Chairman of the Committee:

- (i) will be elected by, and hold office for the period determined by, the Board;
- (ii) must be a member of the Committee;

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(iii) must be an independent Director;

(iv) must not also be the Chairman of the Board.

It is expected that all members of the Committee will be financially literate (able to read and understand financial statements) and have sufficient financial knowledge and understanding to allow them to discharge their responsibilities. At least one member of the Committee is expected to have significant, recent and relevant financial reporting or accounting experience.

5 Administrative matters

The Committee will meet as required but no less than four times a year. Any Committee member or the secretary of the Committee may call a meeting of the Committee.

A quorum will comprise any two non-executive director Committee members. In the absence of the Committee Chairman or appointed delegate, the members shall elect one of their number as Chairman for that meeting.

The Committee may invite any members of executive management or other individuals to attend meetings of the Committee, as it considers appropriate.

The Committee must meet with the external auditors at least once a year without executive management being present.

Proceedings of the Committee will be governed by the provisions of the Constitution, in so far as they may be applicable.

The Committee is authorised to investigate any activity or function of Gerard Lighting and its controlled entities in accordance with this Charter. The Committee is authorised to make recommendations to the Board regarding appropriate actions resulting from such investigations.

6 External advisers

The Committee has unrestricted access to executive management, all employees and all company records, tax and other financial advisers, legal advisers, and internal and external auditors.

The Committee is authorised to obtain outside legal or other independent professional advice, and to secure the attendance of such advisers if it is considered necessary to fulfill its duties, and this is at the expense of the company.

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7 Reporting

It is intended that a report of the actions of the Committee and/or a copy of the minutes of the Committee meetings will be included in the Board papers for the Board meeting next following a meeting of a Committee.

The Chairman of the Committee (or a person nominated by the Chair of the Committee for that purpose) is expected to:

- provide a brief report to the Board on the Committee's proceedings following each meeting on matters relevant to the Committee's duties and responsibilities;
- attend the Board meeting at which Gerard Lighting Group Limited's financial statements are approved.

8 Review

The Committee must conduct an annual review of its performance and effectiveness, inviting comments from all members of the Board. It must recommend to the Board any suggested changes in the duties and responsibilities of the Committee and the terms of this Charter.

The Board will periodically review the membership and the Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

No changes to this Charter may be made without approval of the Board.