

# Thorn Group Limited

## Audit, Risk and Compliance Committee

### Charter

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#### 1. General

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The purpose of the Committee is to assist the Board in the effective discharge of its responsibilities in relation to external and internal audit functions, accounting policies, financial reporting, funding, financial risk management, business risk monitoring and certain compliance matters.

The Committee has authority from the Board to review and investigate any matter within the scope of its Charter and make recommendations to the Board in relation to the outcomes. The Committee has no delegated authority from the Board to determine the outcomes of its reviews and investigations and the Board retains its authority over such matters.

The Committee has unrestricted access to employees, records, internal and external auditors, tax and other financial or legal advisers engaged by Thorn Group. The Committee is authorised to take advice from any external parties as appropriate at Thorn Group's expense. The internal and external auditors will have direct access to the Committee and to the Board via their respective Chairmen.

In this Charter the following terms have the following meanings:

“**Board**” means the Board of Thorn Group Limited.

“**Director**” means a member of the Board of Thorn Group Limited.

“**Independent Director**” means a Director who has been determined by the Board to be independent in accordance with clause 9.1 of the Board Charter.

“**Non-Executive Director**” means a Director who is not employed in an executive capacity by Thorn Group or any of its related bodies corporate.

“**Thorn Group**” means Thorn Group Limited.

#### 2. Composition

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##### 2.1 Structure

- (a) Members of the Committee will be appointed by the Board.
- (b) The Committee will consist of at least three Non-Executive Directors, each of whom must be financially literate and a majority of whom must be independent.
- (c) At least one member of the Committee should have significant expertise in financial reporting, accounting or auditing.
- (d) The Chairman of the Committee should be an Independent Director and must not be the Chairman of the Board.

##### 2.2 Secretary

The Company Secretary or their nominee will act as the Secretary to the Committee.

# Thorn Group Limited

## Audit, Risk and Compliance Committee

### Charter

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### **3. Meetings**

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#### **3.1 Frequency**

- (a) The Committee must meet as often as required and at least twice each year.
- (b) Meetings will be called by the Secretary at the request of the Board or Committee Chairman.
- (c) Members may request to the Committee Chairman that a meeting be held. Once this request has been made, the Committee Chairman will decide whether to call a meeting.

#### **3.2 Quorum**

- (a) A quorum will comprise three members of the Committee.
- (b) In the absence of the Committee Chairman, Committee members will elect a Committee member to act as Chairman for that meeting.

#### **3.3 Attendance**

- (a) Members of the Board may attend meetings of the Committee and the engagement or audit partner of the external auditor of Thorn Group may attend meetings ex officio.
- (b) Subject to paragraph (c), the Chief Executive Officer and the Chief Financial Officer of Thorn Group may attend meetings ex officio.
- (c) The Committee will meet with the external auditor without members of management being present at least once each year and whenever considered appropriate by the Chairman of the Committee.
- (d) The Committee may meet without the Chief Executive Officer if the Committee Chairman or the Committee considers it appropriate.

#### **3.4 Notice of meetings**

Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and information papers relevant to such items, shall be forwarded to each member of the Committee and any person invited to attend, no fewer than five business days prior to the date of the meeting.

#### **3.5 Minutes and reporting to the Board**

- (a) The Secretary will keep minutes of proceedings and resolutions of the Committee together with copies of supporting papers. These records will be available to any Board member upon request.
- (b) The Committee Chairman, or their nominee, will report to the Board after each meeting of the Committee. These reports will comply with clause 6 of this Charter.

# Thorn Group Limited

## Audit, Risk and Compliance Committee

### Charter

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- (c) The minutes of each Committee meeting will be included in the papers and provided to members of the Board for the next full Board meeting.

#### **3.6 Voting**

- (a) Each member of the Committee will have one vote and questions will be decided by a majority of votes.
- (b) In the case of an equality of votes, the Chairman of the Committee will have a second or casting vote, provided more than two of the members present are entitled to vote.

#### **4. Access**

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- (a) The Committee may seek explanations and additional information from the external auditor as and when required.
- (b) The Committee may seek any information reasonably necessary to discharge its responsibilities from any officer or employee of Thorn Group.
- (c) The Committee may take advice from external parties at Thorn Group's expense as reasonably appropriate to discharge its responsibilities.
- (d) The Committee may initiate, after consultation with the Chairman and the Board, any investigation that is reasonably necessary to discharge its responsibilities. The costs of any such investigation will be borne by Thorn Group.

#### **5. Duties**

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The Committee has the duties set out in this clause.

##### **5.1 External audit**

- (a) Regularly evaluate and report to the Board on the performance and independence of the external auditor;
- (b) review the appointment and selection of the external auditor and the rotation of external audit engagement partners at least every three years and make recommendations to the Board in relation to the proposed fees and terms of engagement of the external auditor and audit engagement partners, and any proposed change of external auditor or audit engagement partners;
- (c) review and approve the external audit plan for each audit or review of financial statements;
- (d) review all reports from external auditors, report to the Board on any issues arising out of those reports and ensure that the required disclosures by the external auditors are made to the Committee within the required timeframes;
- (e) prior approval of any non-audit assignments performed by the external auditors for Thorn Group; and

# Thorn Group Limited

## Audit, Risk and Compliance Committee

### Charter

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- (f) evaluate the performance of the internal auditors.

#### **5.2 Internal Audit**

- (a) Approve any proposed change to the resources engaged in the internal audit function or the manner in which that function is performed;
- (b) review the appointment of the internal auditors if the function is outsourced;
- (c) review and approve the internal audit plan each year;
- (d) review all reports from internal auditors and monitor the implementation of recommendations made by the internal auditors and approved by the Committee; and
- (e) report to the Board on issues arising from the internal auditor's reports on major issues arising from the internal audit program.

#### **5.3 Accounting policies**

- (a) Review the accounting policies of Thorn Group, including conformance to relevant accounting and reporting standards; and
- (b) review all significant accounting policy changes and, where appropriate, recommend to the Board that the changes be adopted by Thorn Group.

#### **5.4 Financial reporting**

- (a) Review in detail and report to the Board on the integrity of Thorn Group's half year and annual financial statements, prior to their release to the financial market;
- (b) review any financial reports to be released to the Australian Stock Exchange;
- (c) review any statements or commentary to be released to the Australian Stock Exchange to accompany the half year or annual financial statements;
- (d) review the adequacy of Thorn Group's policies relating to financial reporting and controls, including compliance with laws, regulations and ethical guidelines; and
- (e) discuss with management and the external auditor any correspondence with regulatory or government bodies and any published reports which raise material issues regarding Thorn Group's financial statements.

#### **5.5 Funding**

- (a) Monitor the ability of Thorn Group and its related bodies corporate to fund their activities, having regard to current funding arrangements and Thorn Group's cash-flow outlook;
- (b) monitor the prudence of gearing levels, interest cover and compliance with banking covenants; and
- (c) review all funding strategies of Thorn Group and its related bodies corporate.

# Thorn Group Limited

## Audit, Risk and Compliance Committee

### Charter

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#### **5.6 Financial risk management**

- (a) Review policies relating to financial risk management, including hedging of interest rate risk and foreign currency exchange risk;
- (b) monitor compliance with the policies outlined in (a) and report to the Board on any relevant issues; and
- (c) review the dividend policy.

#### **5.7 Business risk monitoring**

- (a) Establish policies on risk oversight and management which:
  - describe the roles and respective accountabilities of the Board, the Committee, management and internal audit;
  - provide for overseeing the establishment and implementation of Thorn Group's risk management system;
  - provide for review of the effectiveness of Thorn Group's implementation of its risk management system;
  - Provide a risk profile for Thorn Group describing material risks facing the company;
  - Oversee Thorn Group's internal compliance and control systems established by management, including reviewing the effectiveness of these systems in identifying, assessing, monitoring and managing material risks throughout the organisation.

#### **5.8 Compliance**

- (a) Assess and review Thorn Group and its related bodies corporate's policies and practices designed to ensure compliance with laws, contractual obligations and, where applicable, Thorn Group's established standards.
- (b) monitor compliance with the standards in (a) and report to the Board on any material issues; and
- (c) review the results of any governmental or regulatory audits involving the areas in (a) which have not otherwise been reviewed by the Board or another Committee.

### **6. Reporting**

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The Committee shall provide regular reports to the Board. These reports shall contain all matters relevant to the Committee's responsibilities including:

- (a) an assessment of whether external reporting is consistent with Committee members' information and knowledge, and if this external reporting is adequate for shareholder needs;
- (b) recommendations for changes to management processes supporting external reporting;

# Thorn Group Limited

## Audit, Risk and Compliance Committee

### Charter

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- (c) the Committee's policies and procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (d) recommendations for the appointment or removal of an external auditor; and
- (e) assessment of the performance and independence of internal and external auditors in relation to matters within the Committee's responsibility.

#### **7. Assessment**

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- (a) At least once each year the Committee and the Board will review the performance of the Committee, including the performance of individual Committee members. This review will incorporate the views of relevant stakeholders.
- (b) At least once each year the Committee will review this Charter, and make recommendations to the Board in relation to any proposed change to this Charter.

27 May 2009