



Patties Foods Ltd
ACN 007 157 182

Patties Foods Ltd (the “Company”)

Audit and Risk Committee Charter

June 2011

Purpose of Charter

1. The Audit, Risk and Compliance Committee Charter (the "**Charter**") governs the operations of the Audit and Risk Committee (the "ARC"). It sets out the ARC's role and responsibilities, composition, structure and membership requirements. The Audit, Risk and Compliance Committee has been established to assist the board of the Company ("**Board**") in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process, internal control structure, risk management systems (financial and non-financial) and the internal and external audit process.
2. The Audit, Risk and Compliance Committee shall review and reassess the charter at least annually and, on each occasion, shall obtain the approval of the Board to the form of the Charter.

Membership and Competencies of the Committee

3. The ARC shall be members of, and appointed by, the Board. It shall be of sufficient size, independence and technical expertise to discharge its mandate effectively. The ARC shall consist of:
 - (a) at least three members, of which one shall be elected Chairperson by the Board;
 - (b) only non-executive directors;
 - (c) a majority of independent¹ directors;
4. All ARC members shall be financially literate (ie are able to read and understand financial statements). At least one member, preferably the Chairperson, shall have accounting and/or related financial management expertise (i.e - is a qualified accountant or other financial professional with experience of financial and accounting matters) and some members shall have an understanding of the industries in which the Company operates.
5. The secretary of the ARC shall be nominated by the Company Secretary or an alternate as appointed by the Committee.

Committee Meetings

6. The ARC shall meet often enough to undertake its role effectively and at least two times a year.
7. The purpose of ARC meetings shall be to:
 - (a) review and approve external audit plans;
 - (b) update the external audit plans;
 - (c) review and approve statutory financial reports;

¹ Independent, as defined by the ASX Corporate Governance Council. See schedule to this Charter.

- (d) review the key operational and financial risks including insurance, which the company faces, and ensure that there is sufficient evidence that management has implemented policies and procedures to mitigate the occurrence and effects of these risks
- 8. The ARC shall meet in private session with the External Auditors, at least annually, to assess management's effectiveness.
- 9. A quorum for any meeting will be 2 members.
- 10. Special meetings may be convened as required. The Chairperson will call a meeting of the ARC if requested to do so by any member of the Committee, by the external auditors or by the chairperson of the Board.
- 11. The ARC may invite such other persons (eg. staff, Managing Director/CEO, Chief Financial Officer (CFO), any other Director, external parties) to its meetings, as it deems necessary.
- 12. The Chairperson of the Board may attend any meeting of the ARC.
- 13. The proceedings of all meetings will be minuted and these will be included in the papers for the next Board meeting after each ARC meeting.

Authority of the Committee

- 14. The Board authorises the ARC, within the scope of its responsibilities, to:
 - (a) investigate any matter brought to its attention with full access to all books, records and facilities;
 - (b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the ARC) or external parties;
 - (c) obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties; and
 - (d) ensure the attendance of Company officers at meetings as it thinks appropriate.

Duties and Responsibilities of the Committee

15. Overall Control over External Statutory Financial Reporting

The ARC's primary responsibility is to oversee the Company's financial reporting process on behalf of the Board and to report the results of its activities to the Board. The ARC shall together with the company's CEO and CFO:

- (a) review the Company's external financial statements to determine whether they are materially accurate and complete and make any necessary recommendations to the Board;
- (b) review significant accounting policies adopted by the Company to ensure compliance with AIFRS and generally accepted accounting principles;
- (c) consider financial matters relevant to half yearly reporting in a timely manner; and
- (d) review other financial information distributed externally as required.

16. Timely Reporting of its Activities to the Board

- (a) The ARC shall regularly report to the Board on all matters relevant to the Audit and Risk Committee's role and responsibilities.
- (b) The chairperson will report and as appropriate make recommendations to the Board after each meeting of the ARC on matters dealt with by the Committee.
- (c) As and when appropriate, the ARC will seek direction and guidance from the Board on audit and risk management matters.

17. Assessment of accounting, financial and internal controls

- (a) Periodically, the ARC shall meet separately with management, and the external auditors to discuss:
 - (i) the adequacy and effectiveness of the accounting and financial controls; and
 - (ii) issues and concerns warranting ARC attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement.
- (b) The ARC shall provide sufficient opportunity for the external auditors to meet privately with the members of the Committee. The ARC shall review with the external auditor any audit problems or difficulties and management's response.
- (c) The ARC shall receive regular reports from the external auditor on matters relevant to their terms of engagement.

18. Appointment of external auditors and scope of external audit

- (a) The ARC shall make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting.
- (b) The ARC shall discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures.

19. Approval of any additional non audit services to be provided by the External Auditor

- (a) The ARC shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.
- (b) The ARC may delegate pre-approval authority to the ARC Chairperson whose decisions must be presented to the full Committee at its next scheduled meeting.

20. Quality Control of Corporate Releases

- (a) The ARC shall review all representation letters signed by management to ensure that the information provided is complete and appropriate.

21. Monitoring the performance of the ARC

- (a) The Committee shall perform an evaluation of its performance periodically to determine whether it is functioning effectively by reference to current best practice.
- (b) The Board will evaluate the performance of the Committee as appropriate.

Schedule

Independence as defined by the ASX Corporate Governance Council in their Principles of Good Corporate Governance and Best Practice Recommendations

Independence in essence means independent of management and free of any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise of unfettered and independent judgement.

The corporate governance guidelines provide certain criteria for assessing the independence of directors. They provide that an independent director is a non-executive director and:

1. is not a substantial shareholder of the company or an officer of, or otherwise associated directly with a substantial shareholder of the company;
2. within the last three years has not been employed in an executive capacity by the company or another company member, or been a director after ceasing to hold any such employment;
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another company member, or an employee materially associated with the service provided;
4. is not a material supplier or customer of the company or other company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. has no material contractual relationship with the company or another company member other than as a director of the company;
6. has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company;
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company.