

CHARTER

AUDIT & RISK COMMITTEE

1. GENERAL SCOPE AND AUTHORITY

- 1.1 The Audit & Risk Committee is a Committee of the Board of Skilled Group Ltd ("SKE") and is established in accordance with the authority provided in Clause 16.9 of the Company's Constitution. The Board has resolved to establish this Committee and to adopt this Charter to govern the proceedings and meetings of the Committee.
- 1.2 The Charter has been written in light of best practice Governance Principles as outlined in Principles 4 and 7 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
- 1.3 The main objective of the Committee is to assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to the monitoring of:
 - (a) External Reporting;
 - (b) Internal Control;
 - (c) External Audit
 - (d) Internal Audit; and
 - (e) Risk Management.

2. COMPOSITION

- 2.1 The Committee consists of a minimum of three Directors of the Board. Executive Directors are not permitted to be members of the Committee. Members of the Committee are appointed by the Board. The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.
- 2.2 The Chair of the Committee is appointed by the Board and will be a Non-Executive Director, who is not Chair of the Board. Should the Chair be absent from a meeting and no Acting Chair has been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chair for that particular meeting.
- 2.3 The Secretary of the Committee will be the Company Secretary.

3. MEETINGS

- 3.1 The Committee shall meet as frequently as required but not less than four times each year.
- 3.2 Any Committee members may call a meeting of the Committee.
- 3.3 A Notice of Meeting confirming the date, time, venue and agenda shall be forwarded to each member of the Committee in the week prior to the date of the meeting. The Notice of Meeting will include relevant supporting papers for the agenda items to be discussed.
- 3.4 The quorum for a meeting is two members or any greater number determined by the Committee from time to time.

- 3.5 Other Board Directors have a standing invitation. SKE executives and/or parties external to SKE may attend Committee meetings but only at the invitation of the Chair.
- 3.6 The Committee may conduct meetings without all Committee members being involved in the meeting in the physical presence of one another provided that all Committee members involved in the meeting are able to participate in discussion.
- 3.7 The Chair of the Committee, or delegate, shall report to the Board following each meeting.
- 3.8 Minutes of proceedings and resolutions of Committee meetings shall be kept by the Secretary. Minutes will be distributed to all Committee members after preliminary approval has been given by the Committee Chair.

4. AUTHORITY

- 4.1 The Committee has the authority to seek any information it requires to carry out its duties from any officer or employee of any entity of SKE and such officers or employees shall be instructed by the Board of the entity employing them to cooperate fully in the provision of such information.
- 4.2 The Committee also has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.
- 4.3 The Committee discharges its responsibilities by making recommendations to the Board.

5. FUNCTIONS

In fulfilling its objectives, the Committee may undertake the following functions:

5.1 External Reporting

- (a) Review the representations made by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) in relation to financial reporting (in accordance with the Corporations Act requirements) and the adequacy and effectiveness of the company's risk management and internal compliance and control systems as well as the bases upon which the CEO and CFO relied upon in making these representations.
- (b) Consider the appropriateness of the Company's accounting policies and principles and any changes, as well as the methods of applying them.
- (c) Assess significant estimates and judgements in financial reports by enquiring of management about the process used in making material estimates and judgements and then enquire of the internal and external auditors as to whether they are satisfied with the reasonableness of management's estimates.
- (d) Review management's processes for monitoring compliance with laws, regulations and other requirements (including Australian Accounting Standards, the Corporations Act 2001 and the Australian Stock Exchange) relating to the external reporting of financial and non-financial information.
- (e) Assess information from internal and external auditors that affects the quality of financial reports (eg: actual and potential material audit adjustments, financial report disclosures, non-compliance with the laws and regulations, internal control issues).
- (f) Ask the external auditor for an independent judgement about the appropriateness, not just the acceptability, of accounting principles used and

the clarity of the financial disclosure practices used or proposed to be used as put forward by management.

- (g) Review the completeness and accuracy of reporting the entity's main corporate governance practices as required under the Australian Stock Exchange listing rules.
- (h) Recommend to the Board whether the financial statements should be signed based on the Committee's assessment of them.
- (i) Review the process for external reporting to all relevant stakeholders..

5.2 Internal Control

- (a) Review management reports on all major risks.
- (b) Address the effectiveness of the internal control system with management and the internal and external auditors.
- (c) Evaluate the process for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
- (d) Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
- (e) Meet periodically with key management, internal and external auditors to enable appropriate reporting to the Board.

5.3 External Audit

- (a) The Committee is responsible for recommending to the Board the selection and, where appropriate, replacement of the external auditor subject to shareholder approval where required. In executing this responsibility, the Committee will:
- (b) report to the Board on the appointment, replacement, remuneration and monitoring of the effectiveness and independence of the external auditor; and
- (c) ensure that any suggestions by management that the auditor needs to be replaced or that the audit needs to be put out to tender are referred to and examined carefully by the Committee with it reporting to the Board on its examinations before any decision is made.
- (d) Review the external auditor's fees and be satisfied that an effective, comprehensive and complete audit can be conducted for the set fee.
- (e) At the start of each audit period, review the terms of the engagement with the external auditor.
- (f) Invite the external auditor to attend Committee meetings to, at least, review the audit plan, discuss audit results and consider the implications of the external audit findings for the control environment.
- (g) Together with the external auditor, review the scope of the external audit (particularly the identified risk areas) and any additional agreed-upon procedures on a regular and timely basis.
- (h) Enquire of the auditor if there have been any significant disagreements with management irrespective of whether or not they have been resolved.
- (i) Monitor and critique management's responsiveness to the external auditor's findings and recommendations.
- (j) Review all representation letters signed by management for the holding Company.
- (k) Provide the opportunity for the Committee members to meet with the external auditors without management personnel being present.
- (l) Review the external auditor's independence based on the external auditor's relationships and services with the entity and other organisations that may

impair or appear to impair the external auditor's independence. Also ensure that an appropriate rotation policy is in effect.

- (m) Review the engagement of and the scope of any non audit work of the external auditor and satisfy itself that the provision of those services has not compromised the auditor's perceived or actual independence.

5.4 Internal Audit

- (a) Review the internal auditor's mission, charter and resourcing (including qualifications, skills, experience of staff, performance and engagement of external providers, structure, funding and equipment).
- (b) Review and approve the scope of the internal audit plan and work program.
- (c) Monitor the progress of the internal audit plan and work program and consider the implications of internal audit findings for the control environment.
- (d) Monitor and critique management's responsiveness to internal audit's findings and recommendations.
- (e) Evaluate the process the Company has in place for monitoring and assessing the effectiveness, performance and objectivity of the internal audit function.
- (f) Consider whether there exists clear lines of communication between the external auditor and the internal auditor, so as to ensure maximum efficiencies are gained by information sharing.
- (g) Provide the opportunity for Committee members to meet with the internal auditors without management personnel being present.
- (h) Recommend to the Board for the appointment or, if necessary, the dismissal of the head of internal audit.

5.5 Risk Management

- (a) Review and approve the Company's policy and approach to dealing with risk and uncertainty;
- (b) Review the appropriateness of the Company's framework for identification of risk;
- (c) Review the appropriateness and effectiveness of the Company's risk management strategies and implementation thereof;
- (d) Review the compliance and adherence to agreed risk management mitigation plans; and
- (e) Determine the appropriate risk appetite for the Company and match that to the Company's risk mitigation plans.

6. FEES & EXPENSES

6.1 Committee members, other than the Chair, are not entitled to receive any additional remuneration for their role as members of this Committee. Director's fees are set to include membership of Board Committees.

6.2 The reasonable expenses incurred by Committee members in discharging their obligations, attending Committee meetings etc will be reimbursed by the Company, consistent with Company policies which are established from time to time.

7. REVIEW OF CHARTER

7.1 The Audit & Risk Committee Charter is reviewed annually by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities. Significant changes to the Charter are recommended by the Committee and approved by the Board.

8. DISTRIBUTION OF CHARTER

8.1 Key features of the Audit & Risk Committee Charter are included in the Corporate Governance section of the Annual Report. The complete Charter is publicly available on the Company's website.

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APPROVED BY:	Company Secretary Skilled Group Limited