TERMS OF REFERENCE
AUDIT AND RISK COMMITTEE

1. OVERALL PURPOSE / OBJECTIVES

The audit and risk committee will assist the board in fulfilling its supervisory responsibilities. The audit and risk committee will review the financial reporting process, the system of internal control and management of business and financial risks, the audit process, and the company's external audit process for monitoring compliance with laws and regulations as well as its own code of business conduct, board policies and board decisions. In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the internal and external auditors. To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the company's business, operations, and risks.

2. AUTHORITY

The board authorises the audit and risk committee, within the scope of its responsibilities, to:

(a) Seek information it requires from:
- Any employee (and all employees are directed to co-operate with any request made by the audit committee),
- External parties,

(b) Obtain outside legal or other professional advice when required to execute the audit function

(c) Ensure the attendance of company officers at meetings as appropriate.

3. ORGANISATION

Membership

3.1 The audit and risk committee will comprise a minimum of three members of the Board of Directors, of which a minimum of two will be non executive directors.

3.2 All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the committee shall have accounting or related financial management expertise.

3.3 The majority of members should be independent of management.

3.4 The chairman of the audit committee will be nominated by the board from time to time and should be an independent director.

3.5 The Chairman of the Board of Directors and members of management team shall not be members of the Audit and Risk Committee.

3.6 Members will be appointed for a three year term of office.

3.7 A quorum for any meeting will be three members.

3.8 The secretary of the audit committee shall be a person nominated by the board.

Attendance of Meetings

3.9 The audit and risk committee may invite such other persons (e.g. the COO, General Manager, financial manager, head of internal audit, head of food safety audit, etc.) to its meetings, as it deems necessary.

3.10 The internal and external auditors should be invited to make presentations to the audit committee as appropriate.

3.11 Meetings shall be held not less than twice a year. Special meetings may be convened as required. Internal auditors or the external auditors may convene a meeting if they consider that it is necessary.

3.12 Minutes of the proceedings of all meetings will be compiled and circulated to members within a fortnight following the meeting.

3.13 Committee members have fiduciary duties to disclose any conflict of interest in a particular matter being discussed.

4. ROLES AND RESPONSIBILITIES

The audit and risk committee will:

Internal Control

4.1 Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and ensuring that all employees have an understanding of their roles and responsibilities.

4.2 Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.

4.3 Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.

4.4 Report on the effectiveness of internal control to the Board of Directors.

Financial Reporting

a. General

4.5 Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.

4.6 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.

4.7 Review any legal matters which could significantly impact the financial statements.

b. Annual Financial Statements

4.8 Review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, assess whether the financial statements reflect appropriate accounting principles.

4.9 Obtain explanations from management and internal and external auditors on whether:

- Actual financial results varied significantly from budgeted or projected results,
- Changes in financial ratios and relationships in the financial statements are consistent with changes in the company's operations and financing practices,
- Generally accepted accounting principles have been consistently applied,
- There are any actual or proposed changes in accounting or financial reporting practices,
- There are any significant or unusual events or transactions,
- The company's financial and operating controls are functioning effectively.

4.10 Pay particular attention to complex transactions such as restructuring charges and derivative disclosures.

4.11 Focus on judgmental areas, for example those involving valuations of assets and liabilities, warranty, product or environmental liability, litigation reserves, and other commitments and contingencies.

4.12 Meet with management and the external auditors to review the financial statements and the results of the audit.

4.13 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the company and its operations.

c. Risk Assessment

4.14 Gain an understanding of the current areas of greatest business and financial risk and how management are managing these effectively.

4.15 Review regularly the Risk register (prepared by management) and ensure through internal audit reports that the risks are reviewed on a regular basis.

4.16 Review with management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks and ensure that risks identified are being monitored.

4.17 Give special attention to risks and exposure linked to food safety and review the plans to minimise such risks.

4.18 The audit and risk committee shall make use of generally recognised risk management and internal control models and frameworks in order to maintain a sound system of internal control and risk management to:

- Safeguard the company's assets and investments;
- Support business objectives and sustainability;
- Support business sustainability under normal as well as adverse operating conditions; and
- Behave responsibly towards all stakeholders having a legitimate interest in the company;
- Review the adequacy of insurance coverage.

Internal Audit

4.19 Propose the appointment of Internal Audit team and review its appointment on a yearly basis.

4.20 Discuss and validate scope of duties of the Internal audit function on an annual basis and recommend their fees.

4.21 Review the activities and organisational structure of the internal audit function and ensure no unjustified restrictions or limitations are made.

4.22 Review the qualifications of internal audit personnel.

4.23 Review the effectiveness of the internal audit function.

4.24 Meet separately with the head of internal audit to discuss any matters that the committee or auditors believe should be discussed privately.

4.25 Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis.

4.26 Ensure that management responds to recommendations by internal auditors.

External Audit

4.27 Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope.
4.28 Review and recommend to the Board the fees and other compensation.
4.29 Review the performance of the external auditors.
4.30 Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the company.
4.31 Make recommendations to the board regarding the appointment of the external auditors.
4.32 Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
4.33 Ensure that management responds to recommendations by the external auditors.

Food Safety Audit

4.34 Review the internal food safety auditor's proposed audit scope and approach.
4.35 Review the effectiveness of the internal food safety audit function.
4.36 Ensure that significant findings and recommendations made by the food safety internal auditors are received and discussed at management level on a timely basis.
4.37 Ensure that management responds to recommendations.

Compliance with Laws and Regulations

4.38 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
4.39 Obtain regular updates from management and company's legal counsel regarding compliance matters.
4.40 Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
4.41 Review the findings of any examinations by regulatory agencies.

Compliance with the Board's Code of Conduct, Policy and Decisions

4.42 Ensure that the Food and Allied Group of Companies' code of conduct (as approved by the Board), policy and decisions are in writing and that arrangements are made for all board members and management to be aware of it.
4.43 Evaluate whether board members and management are setting the appropriate "tone at the top" by communicating the importance of the code of conduct and the guidelines for acceptable behaviour.

4.44 Review the process for monitoring compliance with the board's code of conduct, policy and decisions.

4.45 Obtain regular updates from management regarding compliance.

Reporting Responsibilities

4.46 Regularly update the board about committee activities and make appropriate recommendations.

4.47 Ensure the board is aware of matters which may significantly impact the financial condition or affairs of the business.

Other Responsibilities

4.48 Perform other supervisory functions as requested by the full board.

4.49 If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.

4.50 Review and update the charter, receive approval of changes from the board.

4.51 Evaluate the committee's own performance on a regular basis.