



AUDIT COMMITTEE CHARTER

AUGUST 2008

AUDIT COMMITTEE CHARTER

1. CONSTITUTION

- 1.1 The Board Audit Committee (the Committee) has been established by resolution of the Board of Directors (the Board).

2. OBJECTIVE

- 2.1 The primary objective of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to the Company's:
- financial reporting;
 - system of internal control and management of material business risks;
 - the internal and external audit functions; and
 - process for monitoring compliance with laws and regulations and its own code of business conduct.
- 2.2 Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to this Board Audit Committee Charter (the Charter) in order to facilitate decision making by the Board.

3. MEMBERSHIP

- 3.1 The Audit Committee will comprise of no less than three (3) and no more than five (5) members appointed by the Board, all of whom shall be independent non-executive Directors.
- 3.2 Members will be appointed for a three (3) year term of office (or such shorter time as they remain in the office of Director) and, subject to continuing to be a Director, will be eligible for re-appointment at the end of their term in office.
- 3.3 The Board will formally approve all changes to members and their remuneration.
- 3.4 At least one (1) and preferably two (2) members shall have a comprehensive financial background.
- 3.5 The Chairman of the Committee (the Committee Chair) will be appointed by the Board from time to time. The Chair of the Board should not be the Committee Chair.
- 3.6 Any Director may attend any Committee meeting at any time.

4. SECRETARY

- 4.1 The members will nominate a secretary to the Committee who shall be responsible, in conjunction with the Committee Chair, for drawing up the agenda and circulating it, supported by explanatory documentation, to Committee members prior to each meeting. In preparing the agenda, the Chair and secretary shall consult with the Internal and External Auditors where appropriate. The secretary will also be responsible for keeping and circulating minutes.

5. MEETINGS

- 5.1 The Committee will hold at least four (4) meetings per year. A simple majority of committee members will constitute a quorum. Meetings would normally be held to review the:
- results of risk reviews and plans for both the internal and external audits;
 - proposed half yearly profit announcement and financial results prior to the Board approving the announcement and results;
 - proposed preliminary annual profit announcement and financial statements prior to the Board approving these announcement and statements; and
 - risk management process and performance and the status of policies and procedures including changes to those procedures.
- 5.2 The Committee may call such additional meetings as the Chairman decides are necessary for the Committee to fulfill its duties. In addition, the Committee Chair is required to call a meeting of the Committee when requested to do so by a Committee member, the internal auditors or the external auditors.
- 5.3 The Committee may invite such other persons (e.g. the Chief Executive Officer and the Chief Financial Officer, and the internal and external audit partners) to its meetings, as it deems necessary.
- 5.4 The external and internal auditors should be invited to make presentations to the Committee as appropriate.

6. AUTHORITY

- 6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee.
- 6.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the assistance of outsiders with relevant experience and expertise if it considers this necessary but only after consultation with the Chairman of the Board.
- 6.3 The Committee shall have unlimited access to both the internal and external auditors and to senior management of the Company.

7. RESPONSIBILITIES

The Committee shall:

7.1 General

- 7.1.1 evaluate and monitor the internal control environment;
- 7.1.2 evaluate and monitor the Company's risk management function, processes and policies;
- 7.1.3 serve as an independent and objective party to review the financial information presented by management to shareholders, analysts and the general public;
- 7.1.4 oversee and appraise the coverage and quality of the audits conducted by the Company's internal and external auditors to ensure the widest coverage possible;

- 7.1.5 maintain, by scheduling regular meetings, open lines of communications among the Board, the Board Committees, the internal auditors and the external auditors to exchange views and information, as well as confirm the auditors respective authority and responsibilities;
 - 7.1.6 approve and monitor policies, procedures and content of the Company's statutory and management reporting;
 - 7.1.7 evaluate and monitor the Company's exposure to fraud;
 - 7.1.8 monitor the standard of corporate conduct in areas such as related party transactions and potential conflicts of interest;
 - 7.1.9 constantly monitor the company's various disclosure obligations; and
 - 7.1.10 consider any other matters referred to it by the Board.
- 7.2 Internal Control
- 7.2.1 evaluate whether management is setting the appropriate control culture by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities;
 - 7.2.2 review the adequacy of the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown; and
 - 7.2.3 evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether internal control recommendations made by internal and external auditors have been implemented by management within an appropriate timeframe.
- 7.3 Financial Reporting
- 7.3.1 evaluate the adequacy and effectiveness of the Company's administrative, operating and accounting policies through active communication with management, internal auditors and external auditors;
 - 7.3.2 evaluate and monitor the company's monthly management and operational reporting;
 - 7.3.3 require reports from management, the internal auditors and external auditors on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon the Company's financial reporting process; and
 - 7.3.4 evaluate the adequacy of the Company's management information and accounting control system by reviewing written reports from the internal and external auditors, and monitor management's responses and actions to correct any noted deficiencies.
- 7.4 External Reporting
- 7.4.1 review all financial reports and any correspondence regarding the Company's financial reporting or related matters prior to their public release. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements;
 - 7.4.2 gain an understanding of the current areas of greatest financial risk and how management is managing these effectively; review significant transactions outside the Company's normal business;
 - 7.4.3 meet with management and the external auditors to review the financial statements, the key accounting policies and judgements, and the results of the audit. Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor; and

7.4.4 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.

7.5 External Audit

7.5.1 recommend to the Board annually or, as otherwise determined by the Board, the appointment and removal of external auditors and the level of their fees;

7.5.2 discuss and agree with the external auditor, before the audit/review commences, the nature and scope of the audit/review procedures, and ensure co-ordination with internal audit;

7.5.3 discuss problems and reservations arising before the interim and final results, and any matters the external auditor may wish to discuss;

7.5.4 review reports prepared by external audit and management's response; review all representation letters signed by management and be satisfied that the information provided is complete and appropriate;

7.5.5 at least four (4) times per year assess the external auditor's independence and compliance with the company's Charter of Audit Independence, by considering the relationships and services provided by the external auditors and others that may lead to actual or perceived lack of independence; the Committee may permit the external auditor to provide non-audit services subject to the company's Charter of Audit Independence;

7.5.6 require the external auditors to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence prior to the announcement of the results for each period;

7.5.7 recommend to the Board, the appropriate disclosure in the financial statements of the details of fees paid to the external auditors;

7.5.8 ensure coordination between the external and internal auditors and management;

7.5.9 review the relationship with the external auditor and evaluate the overall effectiveness of external audit services annually;

7.5.10 based on the results of the annual assessment of the external audit services, determine whether the external audit services should be re-tendered; and

7.5.11 re-tender the external audit service contract at least every five (5) years, unless otherwise approved by the Board.

7.6 Internal Audit

7.6.1 recommend to the Board the appointment and removal of the internal auditors;

7.6.2 approve the Internal Audit Charter from time to time and update to reflect current best practice, approve the overall internal audit strategy and detailed annual plans and fees;

7.6.3 review the activities and resources of the internal audit function and ensure no unjustified restrictions or limitations are made;

7.6.4 monitor the progress of the internal audit program and, together with any additional investigative reviews, consider the implications for the control environment, monitor the implementation of agreed action plans by management;

7.6.5 meet separately with the internal auditors to discuss any matters that the Committee or internal auditors believe should be discussed privately;

7.6.6 review the relationship with internal audit and evaluate the overall effectiveness of internal audit annually;

7.6.7 based on the results of the annual assessment of the internal audit services, determine whether the internal audit services should be re-tendered; and

- 7.6.8 re-tender the internal audit service contract at least every five (5) years, unless otherwise approved by the Board.
- 7.7 Other Responsibilities
 - 7.7.1 perform other oversight functions as requested by the Board;
 - 7.7.2 identify and direct any special projects or investigations deemed necessary; and
 - 7.7.3 review policies to avoid conflicts of interest and review past or proposed transactions between the Company and members of the Board and management.

8. REPORTING

- 8.1 Regularly update the Board about the Committee activities and make appropriate recommendations;
- 8.2 Ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the business;
- 8.3 Disclose the fees received by the external Auditor, including an analysis of non-audit services; and
- 8.4 Disclose the fees received by the internal auditor.

9. SELF ASSESSMENT

- 9.1 The Committee will review the performance of the Committee on an annual basis in accordance with the performance assessment approach determined by the Nomination and Governance Committee. This will include an annual review of the content of this Charter.
- 9.2 This Charter is subject to changed by the Committee on approval by the Board.

10. ACCESS TO THE CHARTER

- 10.1 The Charter will be available, upon request, to all Directors and Committee members, management, internal and external auditors, shareholders and other interested parties, as appropriate.

APPENDIX I RELATIONSHIP WITH EXTERNAL AUDITORS

1. The external auditors have an unrestricted right to discuss any issues they deem necessary with the Committee, or if deemed appropriate by the external auditors, with the Board.
2. The Committee will require the external auditors to confirm, in writing, that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts.
3. The internal audit function will be provided by a firm other than the external audit firm.
4. The Committee will meet at least once annually with the external auditors, in the absence of management, and on any occasion during the year as requested by either the Committee or the external auditors. It is expected that the external auditors will immediately contact the Chair of the Audit Committee if management has placed unreasonable restrictions on access by the external auditors or there are significant unresolved issues between management and the external auditors.
5. It is the responsibility of the Committee to assess the external auditors' actual or perceived lack of independence. In this regard, the Company has adopted a Charter of Audit Independence.
6. An annual evaluation will be undertaken to assess the performance of external audit.
7. Based on the results of the annual assessment of the external audit services, the Committee will determine whether the external audit services should be re-tendered.
8. The Committee will re-tender the external audit service contract at least every five (5) years, unless otherwise approved by the Board.
9. The external audit service contract will not be re-tendered in the same financial year as the internal audit service contract, unless otherwise approved by the Board.

APPENDIX II INTERNAL AUDIT CHARTER

1. The internal audit function exists as an independent function within the Company, and as such will at all times comply with the Company's Charter of Audit Independence.
2. Internal audit is administratively responsible to the Committee Chair and has ready access to the Board primarily through the Committee and the Chief Executive Officer.
3. Internal audit has no management responsibility or authority for any of the Company's activities that are subject to internal audit, and must function independently of other business activity of the Company.
4. Internal audit are authorised to have full, free and unrestricted access to all Company activities, records, property and personnel as may be necessary for the performance of their duties.
5. Internal audit will submit an annual internal audit plan and quarterly operational status updates to the Committee. Internal audit will also liaise and, where appropriate, work with the Board, Regulatory and Compliance Committee and internal compliance function.
6. Internal audit will be present at each of the Committee meetings as required by the Committee.
7. Internal audit will meet with the external auditors at least quarterly.
8. Internal Audit will establish and meet formal service levels as agreed with the Committee.
9. Internal Audit is responsible for directing a comprehensive programme of internal audits that will:
 - i. determine the adequacy and effectiveness of financial, operating and information systems controls, including monthly reporting to the Board, within the Company, so that significant risks are identified and properly managed and opportunities for business improvement are identified;
 - ii. review the integrity of financial and other key data, including controls over the security, recording and storing of data;
 - iii. review established systems to ensure compliance with those policies, procedures, statutory requirements and legislation and requirements of all gaming regulatory bodies or authorities with jurisdiction over the Company;
 - iv. review the means of safeguarding the Company assets, including verification where appropriate;
 - v. in conjunction with the Board, Regulatory and Compliance Committee and internal compliance function, conduct investigations into cases of suspected fraud by employees and make recommendations to management as appropriate;
 - vi. carry out, subject to the Charter of Audit Independence, special reviews and investigations as requested by executive management or the Committee;
 - vii. review the utilisation of Company resources during the internal audit process and advise management as to the efficiency and effectiveness of their use;
 - viii. participate in the assessment of key risks and the development of effective controls in new business projects, new and/or emerging territories or new or significantly altered information technology systems and advise management of compliance with approved programme office or systems development guidelines;
 - ix. carry out timely pre and post implementation reviews;
 - x. conduct regular audits of security over the Company business and administrative activities; and
 - xi. liaise with the external auditor to maximise efficiency of overall audit coverage.
10. Internal audit reports will detail findings, observations, recommendations and corrective action being taken by management to quarterly meetings of the Committee.

11. The Company requires the internal auditor to provide suitably qualified personnel to ensure effective internal audits. They should provide internal audit personnel who are appropriately trained, are capable of meeting the required technical standards, will maintain confidentiality and who will behave in a professional manner at all times.
12. An annual evaluation will be undertaken to determine the effectiveness of the internal audit services.
13. Based on the results of the annual assessment of the internal audit services, the Committee will determine whether the internal audit services should be re-tendered.
14. The Committee will re-tender the internal audit service contract at least every five (5) years, unless otherwise approved by the Board.
15. The internal audit service contract will not be re-tendered in the same financial year as the external audit service contract, unless otherwise approved by the Board.

APPENDIX III CHARTER OF AUDIT INDEPENDENCE

1. OBJECTIVE

The purpose of this Charter of Audit Independence is to ensure that the Committee and the Board are satisfied that the Company's external auditor (statutory auditor) and internal auditor are, at all times, independent as well as being seen to be independent. The Charter of Audit Independence sets out procedures that need to be followed to ensure the level of independence required by the Company and identifies the various obligations of the external auditor and the internal auditor.

The Company's commitment to this Charter of Audit Independence reflects the desire to address issues of actual and perceived independence of the audit processes. The Charter conforms with the auditor independence requirements of the Corporations Act, APES 110 – Code of Ethics for Professional Accountants, and the International Standards for the Professional Practice of Internal Auditing.

2. APPOINTMENT AND QUALITY OF AUDITORS

The Committee, on behalf of the Board, is responsible for recommending the appointment of the external auditor and the internal auditor. The internal audit function shall be provided by a firm other than the external auditor firm. The external auditor and the internal auditor should ensure effective communication and coordination with each other. The internal and external auditors should report to the Committee at least quarterly, and where appropriate, without management being present.

The Company requires both the external and internal auditor firms to provide suitably qualified personnel to ensure effective audits. They should provide audit personnel who are appropriately trained, are capable of meeting the required technical standards, will maintain confidentiality and who will behave in a professional manner at all times.

The Company requires its external and internal auditors to maintain quality control processes whereby all key accounting and auditing decisions are arrived at after appropriate consultation with technical and subject matter experts within the firm.

To ensure audit quality, and to allow for effective audit services by suitably qualified professionals, the Company commits that the external and internal auditors will be fairly rewarded for the agreed scope of the audits and audit-related services.

3. PROVISION OF NON-AUDIT SERVICES BY THE AUDITORS

The Company considers that the level of non-audit fees paid to the external or internal auditors can give rise to an actual or perceived loss of objectivity.

As a general principle, the Committee will not authorise the external or internal auditors to provide any non-audit services to the Company which would create an actual or perceived threat to the independence of the auditors.

It is intended that the expression 'non-audit services' encompasses any services provided by the external or internal auditors which are not included in, or are necessarily incidental to, the terms of the audit engagement. The external auditor will not perform the following non-audit services:

- preparation of source documents, bookkeeping or other services related to the preparing accounting records or financial statements;
- financial information systems design and implementation services;
- appraisal or valuation services for financial purposes
- fairness opinions;
- contribution in kind reports;
- actuarial services;

- internal audit outsourcing
- management functions (including any decision-making, supervisory or ongoing monitoring function and authorising, executing or consummating transactions, or exercise authority, on behalf of management);
- human resources and recruitment functions;
- design and implementation of financial information technology systems that are used to generate financial information;
- broker or dealer, investment adviser, or investment banking services;
- legal services and other expert advocacy services;
- any service that involves a contingent fee;
- any service that involves taking custody of Aristocrat's assets; and
- any other service the Board determines is impermissible.

Additionally the external or internal auditors can only provide other non-audit services (including any taxation services) not prohibited above, if the service has been pre-approved by the Committee Chair or his/her designate.

In assessing the provision of any non-audit services by the external or internal auditors, consideration will be given to:

- the nature of the service provided;
- the dollar value and period of engagement;
- the availability of alternate professional service providers and the reasoning for recommending the auditors;
- the audit firm's self assessment of its independence risk, including safeguards to mitigate perceived risks; and
- any other circumstances relevant to the engagement.

The ratio of audit fees to non-audit service fees will be reported to and evaluated by the Committee each quarter.

4. ROTATION OF AUDITORS

The Company will require the external auditor and the internal auditor to commit to rotating the lead engagement partner every five (5) years.

5. EMPLOYMENT OF AUDITORS

No employee or former employee of the external or internal auditor firms will be permitted to serve as a Director or senior executive of the Company unless a minimum of two (2) years has passed since leaving the employment of the audit firm, unless otherwise approved by the Board. In addition, no employee or former employee of the external or internal auditor firms will be employed by the Company if that member has been a member of the assurance team of the auditor at any time in the two (2) years prior to the planned appointment, unless otherwise approved by the Board.

6. AUDIT INDEPENDENCE REPRESENTATIONS BY AUDITORS

The Committee will require the external and internal auditors to confirm annually that they have complied with all professional regulations or guidance issued by the Australian accounting profession relating to auditor independence. Specifically, the auditors will be required to confirm that they have maintained their independence and in particular will need to confirm the following:

- the auditors and their partners do not have any financial interest in the Company;
- the current service team members of the auditors do not have any financial interest in the Company;

- there are no business interests between the Company and the external or internal auditors;
- the superannuation funds of the partners of the auditors do not hold any direct financial interest in the Company;
- the staff superannuation funds of the auditors do not hold any direct financial interest in the Company;
- no fees paid by the Company to the external or internal auditors is paid on a contingency basis;
- the total fees received by the external or internal auditors from the Company do not have a material impact on the auditor's operations or financial conditions, whether it be a single office of the firm or the firm as a whole;
- the Company has not withheld fees from the auditors; and
- to the best of the external or internal auditors' knowledge, there is no litigation between the Company and the auditors.

7. REPORTING TO THE BOARD

The Committee will confirm annually to the Board that the external and internal auditors have complied with the provision of the Charter of Audit Independence and met all the auditor independence requirements of the Corporations Act and any applicable code of professional conduct.

8. ASSESSMENT OF AUDIT SERVICES

Based on the results of the annual assessment of the external and internal audit services, the Committee will determine whether the external or internal audit services should be re-tendered.

The Committee will re-tender the external and internal audit service contracts at least every five (5) years.