

Lux Island Resorts Ltd

Audit & Risk Committee Charter

1. Purpose

The audit & risk committee will assist the board in fulfilling its oversight responsibilities. The audit & risk committee will review the financial reporting process, the system of internal controls, risk management and the audit process. In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the internal and external auditors. The committee will not perform any management functions or assume any management responsibilities. It will provide a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the board. The committee will mainly make recommendations to the board for its approval or final decision. 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. Membership

- The audit committee shall comprise of not less than 3 non-executive directors appointed by the Board. At least 2 members shall be independent non-executive directors.
- All members of the committee shall have general financial knowledge, with at least one having recent and relevant financial experience with a professional qualification from one of the professional accountancy bodies. Collectively the committee shall have competence relevant to the sector in which the company operates.
- All members should be independent of management.
- The Board shall appoint the Chairperson of the committee from the independent non-executive members of the committee and determine the period for which he or she shall hold office.
- Members will be appointed for a period of three years extendable by no more than two additional three-year periods.
- The Board will have the power at any time to remove any member from the committee and to fill any vacancy created by such removal.

3. Secretary

The Company Secretary, or his/ her nominee, shall act as the Secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. Quorum

A quorum for any meeting will be two members, one must be an independent non-executive director.

5. Attendance at meetings

- Only members of the committee have the right to attend committee meetings and have voting rights. However, the committee may invite such other persons (e.g. the Chief Executive Officer, Chief Finance Officer, Chief Internal Auditor, etc.) to its meetings, as it deems necessary.
- The internal and external auditors shall be invited to make presentations to the audit committee as appropriate.

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6. Frequency of meetings

- Meetings shall be held not less than four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- The Board, any committee member, the external auditors or the Chief Internal Auditor may request a meeting if they consider that it is necessary.

7. Notice of meetings

- Meetings of the committee shall be convened by the Secretary of the committee at the request of any of its members or the external auditors or the internal auditors if they consider it necessary.
- Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee, and any other person required to attend, no later than five working days prior to the meeting. Supporting papers shall be sent to committee members, and to other attendees as appropriate, at the same time.

8. Minutes of meetings

- The Secretary shall minute the proceedings and resolutions of all meetings of the committee, including the names of those present and in attendance.
- Draft minutes of committee meetings shall be circulated no later than ten working days to all members of the committee. Once approved, minutes shall be circulated to all members of the Board, unless it would be inappropriate to do so in the opinion of the committee Chairperson.

9. Annual General Meeting

The Chairperson of the committee shall attend the Annual General Meeting of the Company and be prepared to respond to any shareholder questions on the committee's activities.

10. Responsibilities

10.1 Financial Reporting

- The committee shall examine and review the quality and integrity of the financial statements of the Company, including its annual and half-yearly reports, interim reports and any other formal announcement relating to its financial performance,
- The committee shall review and report to the Board on significant financial reporting issues and judgements which these financial statements contain having regard to matters communicated to the committee by the external auditor;
- In particular, the committee shall review and challenge where necessary:
 - The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
 - Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
 - The methods used to account for significant or unusual transactions where different approaches are possible;
 - Significant adjustments resulting from the audit;
 - Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the external

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- auditor;
- The clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- All material information presented with the financial statements, such as the business review and the corporate governance statements relating to audit and risk management;
- Where the committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board;
- The basis on which the Company has been determined a going concern;
- Capital adequacy and internal controls;
- Compliance with the financial conditions of any loan covenants; and
- Reviewing special documents (such as prospectuses).

10.2 Narrative Reporting

The committee shall review the annual report, prior to submission and approval by the Board, and determine whether taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and other stakeholders to assess the Company's performance, business model and strategy.

10.3 Internal Controls and Risk Management

The committee shall:

- keep under review the adequacy and effectiveness of the Company's systems of internal control, including internal financial control, and business risk management
- be responsible for the governance of risk by ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives
- assist in its role of managing risks, as part of the Group's efforts to strengthen its risks management processes and enable accountability for its adequacy and effectiveness.
- assist in its role of oversight of the process as well as to that of financial reporting risk and the effectiveness of the Company's internal control and compliance systems.
- be responsible for making the necessary recommendations to the Board such that the Board may make an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the group.
- Oversee the Effective risk management in place in the Company and assess their adequacy and effectiveness.
- Assess the major risks and define the mitigating controls
- Review and approve the disclosures to be included in the annual report concerning internal controls and risk management

10.4 Internal Audit

The committee shall:

- Approve the appointment or termination of appointment of the Chief Internal Auditor;
- Review and approve the charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- Ensure the internal auditor has direct access to the Board Chairperson and to the committee Chairperson, and is accountable to the committee;
- Review and assess the annual internal audit work plan;

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- Receive a report on the results of the internal auditor's work on a periodic basis;
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- Meet with the Chief Internal Auditor at least once a year without the presence of management;
- Monitor and review the effectiveness of the Company's internal audit function,

10.5 External Audit

The committee shall:

- Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor;
 - Ensure that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. Several firms should be screened and the committee should obtain written or verbal proposals to enable it to arrive at its recommendation.
 - If an auditor resigns, investigate the issues leading to this and decide whether any action is required.
 - Oversee the relationship with the external auditor including (but not limited to):
 - Recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the organisation (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - Agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
 - Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the organisation compared to the overall fee income of the firm, office and partner and other related requirements;
 - Assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - Seeking to ensure co-ordination between audit firms (where more than one audit firm is involved);
 - Seeking to ensure co-ordination with the activities of the internal audit function; and
 - Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from
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the market in that evaluation.

- Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit.
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- Consider whether any significant ventures, investments or operations are not subject to external audit.
- Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.
- Review the findings of the audit with the external auditor. This shall include but not be limited to the following:
 - A discussion of any major issues which arose during the audit;
 - Key accounting and audit judgements;
 - Levels of errors identified during the audit; and
 - The effectiveness of the audit process.
- Review any representation letter(s) requested by the external auditor before they are signed by management.
- Review the management letter and management's response to the auditor's findings and recommendations.
- Develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

11. Reporting Responsibilities

- The committee Chairperson shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - The significant issues that it considered in relation to the financial statements and how these were addressed;
 - Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
 - Any other issues on which the Board has requested the Committee's opinion.
- The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The committee shall compile a report on its activities to be included in the Company's Annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor. In compiling the report, the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern.

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12. Remuneration

- The members of the committee shall be paid such special remuneration in respect of their appointment as shall be fixed by the Board;
- The Chairperson of the committee shall, in addition to his remuneration as a member, receive a further sum as determined by the Board;
- Such special remuneration in terms hereof shall be in addition to the annual fees payable to directors.

13. Other matters

The committee shall:

- Have access to outside or other independent professional advice as it considers necessary to carry out its duties;
- Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- Oversee any investigation of activities which are within its terms of reference;
- Work and liaise as necessary with all other Board committees; and
- Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

14. Authority

The committee is authorised to

- Seek any information it requires from any employee of the Company
- Obtain outside legal or other professional advice, at the Company's expense, on any matters it believes necessary
- Ensure the attendance of company officers at meetings as appropriate
- Have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the committee and the Board.