



I M A G I N E

AUDIT COMMITTEE CHARTER 2007

PURPOSE

The role of the Audit Committee (Committee) is to assist the Board of Directors of Imagine Group Holdings Limited (Company) in fulfilling its oversight responsibilities. The Committee should review in an independent and objective manner:

- the integrity of the Company's financial information and statements,
- the integrity of the Company's systems of internal controls,
- the Company's compliance with applicable legal and regulatory requirements,
- the company's compliance with Sarbanes Oxley standards as they apply to the Company,
- the appraisal of the audit efforts of the company's external auditors,
- the performance, technical competence and independence of the Company's financial management and
- the performance of the Company's internal audit function.

AUTHORITY

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of the External Auditor employed by the Company to conduct the annual audit. The External Auditor will report directly to the Committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Approve all auditing and permitted non-audit services performed by the company's external audit firm.
- Retain independent counsel, accountants, or other advisers as required to assist the Committee.
- Seek any information it requires from employees all of whom are directed to cooperate with the Committee's requests, or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

COMPOSITION

Following each annual meeting of shareholders, the Board of Directors of the Company (the “Board”) shall appoint from its number a minimum of three directors (the “Members” and each a “Member”) to serve on the Committee until the close of the next annual meeting of shareholders of the Company or until the Member ceases to be a director, resigns or is replaced, whichever occurs first. A quorum shall be two members.

The Members will be appointed by the Board on the recommendation of the Corporate Governance and Human Resources Committee. Any Member may be removed from office or replaced at any time by the Board. Members may, and at any time where applicable law or regulations so requires, will be Independent Directors. In addition, every Member will be suitably qualified and experienced to serve on the Committee and at least one member shall have recent and relevant financial experience appropriate to the work of the Committee.

The Board shall appoint one Member as the chairman of the Committee, which Member should be an Independent Director. If the chairman is absent from a meeting, the Members shall select a chairman from those in attendance to act as chairman of the meeting. The Committee shall appoint a secretary (which shall normally be the Secretary or an Assistant Secretary of the Company) for each meeting.

MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting, in person or via tele- or video-conference. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management, with internal auditors and with external auditors. It will also meet periodically in executive session. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The committee will be responsible for the following key activities:

GAAP and Statutory Financial Statements

- Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
 - ❖ Complex or unusual transactions and key judgmental areas

- ❖ Major issues regarding the adoption of appropriate accounting principles and financial statement disclosures, including any significant changes in the Company's selection or application of accounting policies.
 - ❖ To ascertain the proper set of Generally Accepted Accounting Principles to be adopted by the Company (at the date of writing the Company currently uses IFRS)
 - ❖ Oversee the development of regulatory and accounting policies, on the financial statements of the Company
- Review analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including consideration of GAAP treatments.
 - Review, discuss and evaluate the appropriateness of financial information and earnings guidance provided to analysts and rating agencies prior to public release.
 - Review the financial information and financial statements of the Company's Annual Report.

Internal Control

- Consider the effectiveness of the Company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and review and evaluate reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Review and approve the Mission Statement & Charter for the internal audit department
- Review the appointment, performance, compensation and replacement of the Internal Audit Director. The Internal Audit Director will report directly to the Chairman of the Committee and administratively to the CFO.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
- Review the activities of the Company's internal audit department, including the proposed annual audit plan, periodic progress reports on the status of the plan, and summaries of any significant issues raised during the performance of internal audits, including the resolution of recommendations made concerning the Company's system of internal controls.
- Review allegations of fraud, ensuring that appropriate follow up action is being taken by management and Internal Audit, including notification to regulatory bodies, as appropriate.
- Review and evaluate on a periodic basis the adequacy and effectiveness of the Company's oversight of 'material' outsourcing contracts.
- On a regular basis, meet separately with the Internal Audit Director to discuss any matters that the Committee or internal audit believes should be discussed privately.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. In performing this review, the Committee will:
 - ❖ At least annually, obtain and review a report by the external auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the external auditor and the company:
 - ✓ Take into account the opinions of management and internal audit.
 - ✓ Review and evaluate the lead partner of the external audit firm.
 - ✓ Present its conclusions with respect to the external auditor to the Board.
- Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.
- Present its conclusions with respect to the external auditor to the full Board
- Formalize recruitment policies for employees or former employees of the external auditors
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

- 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 instances of noncompliance.
- Establish a procedure for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Company regarding such matters.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the Board about Committee activities and issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors, and the performance of the internal audit function.
- Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by statutory requirements including approval of non-audit services.
- Review any other reports the Company issues that relate to Committee responsibilities.

Other Responsibilities

- Review and challenge management on the Company's operational policies and risk assessment (acknowledging that the principal responsibility for oversight of risk assessment and management lies with the Risk Committee of the Board);
- Perform other activities related to this charter as requested by the Board.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Committee's and individual members' performance at least annually.
- Provide an open forum of communication between internal audit, the external auditors, and the Board.