



LIVING AND LEISURE AUSTRALIA GROUP

BOARD CHARTER

1. BACKGROUND

The Board of directors (Board) of Living and Leisure Australia Limited and Living and Leisure Australia Management Limited (collectively LLA or Companies) does not become involved in the Companies' day to day operations.

2. OVERVIEW

The Board of LLA fulfil their obligations to promote shareholder value and protect the assets of LLA by:

- ensuring the appointed board has the relevant expertise and experience;
- ensuring appropriate governance, risk management and internal control policies are implemented;
- ensuring that the reporting system implemented by LLA requires all significant issues relating to the operation and performance of LLA to be brought to the attention of the Board;
- requiring decisions regarding any investment, divestures, funding proposals or other transactions that are either outside the delegated authority limits or cannot be funded by LLA's own cashflow to be submitted to the Board for consideration and approval;
- monitoring governance and risk policies, practices and systems to ensure effective and appropriate; and
- constituting board sub-committees (where appropriate) to focus on protecting the interests of LLA security holders.

This charter outlines the functions and responsibilities of the Board and identifies the functions and responsibilities that have been delegated to management.

3. BOARD FRAMEWORK

3.1 Board Composition

The composition of the Board is determined with reference to the respective companies' Constitutions and using the following principles:

- The Board should be structured in such a way that it has a proper understanding of, and competence to deal with, the current and emerging issues of LLA and can effectively review and challenge the performance of management and exercise independent judgement.
- Board membership may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified. The

number of board members will be consistent with the requirements of the respective companies' constitutions.

- The Board should have sufficient directors to serve on board sub-committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities.

The composition of the Board is to be reviewed on an annual basis, to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new member with particular skills, the Board selects the candidate with the appropriate expertise and experience.

The terms and conditions of the appointment and retirement of members of the Board are set out in writing. The appointment letter covers the following matters:

- the manner in which remuneration is determined;
- fellow Directors;
- the term of the appointment, subject to member approval;
- the powers and duties of a Director;
- the expectations of the Board in relation to preparation for and attendance at all Board meetings;
- the expectations regarding committee work;
- confidentiality requirements;
- the procedures for dealing with conflicts of interest;
- the requirement to disclose Directors interest and any matter that may affect Directors independence;
- the availability of independent professional advice;
- insurance arrangements; and
- director education.

New directors are educated about the nature of the business, current issues, corporate strategy and the expectations of LLA concerning performance of directors. The induction pack received by each new director contains copies of the Companies' constitutions and corporate governance policies.

3.2 Independence

The directors have adopted the following definition of independence:

A director is considered independent if not a member of management and if the director satisfies the following criteria:

- is not a substantial shareholder of LLA holding more than ten per cent of LLA's voting securities;
- is not, nor within the last three years has not been, an executive of the Companies or their subsidiaries, or been a director after ceasing to hold any such employment;

- is not, nor within the last three years has not been, a principal of a material professional adviser or material consultant to the Companies or an employee materially associated with the service provided;
- is not, nor within the last three years has not been, a material supplier or client of the Companies or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or client;
- has no material contractual relationship with the Companies other than as a director of the Companies;
- has not been a Board member for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of LLA; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Companies.

The test of whether a relationship or transaction is 'material' will be based on the nature and circumstances of the transaction being reviewed.

Materiality will be considered from the perspective of the Companies and the relevant party. As a guideline, a relationship will be considered to be immaterial where it generates in the ordinary course of business, on an arms length basis, less than 5% of the consolidated gross revenue, and will be considered material when it generates more than 10% of the consolidated gross revenue in a twelve month period in the absence of evidence or convincing argument to the contrary.

When reviewing the materiality of activities or relationship between a non-executive director and the Companies (other than as a director), the significance of the activities or relationship to the director will be reviewed in the context of their activities as a whole.

Directors identified as independent are required to advise the Board and company secretary where circumstances arise where they no longer satisfy the requirements to be identified as independent.

3.3 Independent Professional Advice

Each director has the right of access to all relevant information and to the Companies' executives and, subject to prior consultation with the Chairman and Chief Executive Officer, may seek independent professional advice at the LLA's expense.

4. BOARD ROLE AND RESPONSIBILITIES

The Board's primary role is the protection and enhancement of long term security holder value.

4.1 Board Responsibility

The Board is responsible for:

- oversight of LLA and its governance, risk management and control systems;
- reviewing, approving and monitoring LLA's corporate strategies, budgets and business plans;

- ensuring that effective audit, risk management and regulatory compliance programs are implemented to protect LLA's assets and shareholder value;
- reviewing and approving governance policies;
- appointing and removing the Chief Executive Officer;
- ratifying the appointment of the Chief Financial Officer and the Company Secretary;
- evaluating the performance of the Chief Executive Officer;
- reviewing Board and executive succession planning;
- evaluating and monitoring senior executives' performance and implementation of strategy
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- considering and approving management's recommendations on major investments, acquisitions and divestures;
- monitoring financial position, business results and other reporting; and
- reviewing the performance of the Board and board committees.

The Board may delegate any powers to a Committee of Directors.

The Board may establish delegated authority limits within which the Companies must operate. It is the responsibility of the Companies to ensure appropriate systems and internal controls are implemented, which ensure the Companies operate within the delegated authority limits (if any) and report relevant matters to the Board (where relevant) in a timely manner.

4.2 Delegation to Management

The Board has retained the responsibility for:

- strategic direction;
- control of the operations; and
- approval of significant acquisitions and divestures,

whilst delegating the responsibility for the day to day operation and administration of the Companies to Senior Management, under the leadership of the Chief Executive Officer.

The Board has established delegated authority limits within which the Chief Executive Officer must operate.

4.3 Conduct

LLA is committed to maximising shareholder value whilst also promoting shareholder, investor and general market confidence. Directors are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of LLA.

Directors are required to, among other things,

- avoid conflicts of interests between their personal interests and those of the Companies;
- not take advantage of opportunities arising from their position for personal gain or in competition with the Companies; and

- comply with LLA's share trading and other governance policies.

5. BOARD SUB-COMMITTEES

5.1 Remuneration Committee

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives.

The remuneration package should:

- motivate directors and senior personnel to pursue the long-term growth and success of LLA within the governance, risk management and internal control framework; and
- link to performance.

The Board may establish a Remuneration Committee to review LLA's remuneration framework pertaining to the CEO and senior executives. The responsibilities of the Remuneration Committee will be outlined in a remuneration committee charter.

Where a remuneration committee is not constituted the function will be performed by the Board.

5.2 Audit & Risk Committee

The Board has constituted an Audit & Risk Committee.

The role of the Audit & Risk Committee is to review the integrity, quality and reliability of financial reporting and risk management systems of the Companies.

The responsibilities of the Audit & Risk Committee are outlined in the Audit & Risk Committee Charter.

5.3 Nomination Committee

The Board may constitute a Nomination Committee to oversee the appointment and induction process for new directors and advise the board on the composition of the Board and reviewing the performance of the Board.

The Committee's nomination of existing directors for re-appointment is not automatic and is contingent on their past performance, contribution to LLA and the current and future requirements of the Board.

The responsibilities of the Nomination Committee will be outlined in a nomination committee charter.

Where a nomination committee is not constituted the function will be performed by the Board.

6. RISK MANAGEMENT & INTERNAL CONTROL FRAMEWORK

6.1 Risk Management

The Board has overall responsibility for ensuring a sound system of risk management and internal compliance and control has been implemented.

The audit and risk committee is responsible for advising the board on the system of internal controls and risk management and the financial reporting and audit process.

6.2 Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has implemented an internal control framework that can be described under four headings:

- Financial reporting - Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly.
- Quality and integrity of personnel - LLA's policies are documented and communicated to all officers and employees. Formal appraisals are conducted at least annually for all employees.
- Delegated authority - LLA has clearly defined levels of authority and due diligence requirements with regard to investment decisions and where businesses are being acquired or divested.
- Functional speciality reporting –LLA has identified a number of key areas which are subject to regular reporting to the Board, such as treasury, legal, governance and regulatory compliance.