Risk Management Policy

Introduction
The Board recognises that a sound framework of risk review, risk management and internal control is fundamental to good corporate governance.

The Audit and Risk Committee has the ongoing responsibility for determining the Group's risk management policies and procedures and reporting them to the Board for approval. It is recognised that these risk management policies and procedures need to be designed to ensure that the Group's operations are run efficiently and potential exposures to risk are appropriately managed.

The Company also has to consider the expectations of its shareholders and to ensure that the Company's reputation and the success of its operations are not threatened. The risk management policies have been designed after considering factors which bear upon the Company's continued good standing with its shareholders.

This policy defines a risk as a chance of something happening that will have a significant impact upon the achievement of the Group's business objectives. Risks are threats or hazards, uncertainty or exposure and lost opportunity that could have a material adverse effect on the Group.

Material business risks faced by the Group are required to be identified and, where possible, internal controls and procedures implemented to ensure that risk exposures are appropriately managed. Material business risks faced by the Group are required to be continually reassessed with policies and internal control procedures modified as appropriate.

Inherent investment risk
Group companies invest in equities listed on the Australian Securities Exchange. Equity investments represent well over 90% of the Group's total assets. These equity investments are subject to market risk as the market value of investments fluctuate over time. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst seeking to optimise the return to shareholders.

The investment portfolio is spread over a large number of entities operating in a number of market segments so as to reduce the market risk of a fall in value of a particular investment or an economic decline in a market segment.

The Group holds equity investments for the long term and does not act as a share trader nor does it invest in speculative stocks.

An assessment of the inherent risks associated with companies and industry sectors is untaken as part of the Group's stock selection and continuing evaluation processes.

Funds are also invested in term deposits. Credit risk relating to term deposits is minimised by the Group only placing term deposits with a limited number of major Australian financial institutions who have been approved by the Board and have acceptable credit ratings determined by a recognised credit agency. Limits are also set on the amount of total term deposits that can be deposited with any one financial institution.

The Group maintains a risk management framework to ensure that it invests and operates within acceptable levels of risk.

Risk Management Framework
The following procedures summarise the risk management framework adopted by the Group.

Identification and analysis of risks
Risks are identified taking into account equity investment and economic risk history, forecast economic conditions, changing trends, legal and regulatory requirements and the Group's operational structure.

The likelihood of a material risk materialising and the Group's ability to reduce the impact of that risk is then analysed.

Areas of risk addressed by the Group cover:

- strategic;
- reputation;
- investment;
- operational;
- technology , including accounting systems;
- staff, including knowledge transfer on the change of a key staff members;
- legal and compliance; and
- financial and other reporting requirements.

Maintenance of a risk register
Where a significant risk is identified within the areas listed above it is recorded in a Material Risk Register.

These risks are subject to ongoing reassessment by the Company Secretary / Chief Financial Officer, who is responsible for maintaining the Material Risk Register, and the Audit and Risk Committee. New risks identified are also required to be reported to the Audit and Risk Committee.

Documentation and assessment of controls to mitigate risks
For each risk listed in the Material Risk Register, a summary of policies, internal controls and other processes and procedures, designed to manage or mitigate the risk, are required to be listed.

It is recognised that, for policies, procedures and internal control processes to be effective in managing or mitigating risks, they must be communicated, correctly implemented and monitored. It is the responsibility of the Company Secretary/Chief Financial Officer to maintain the Group's Policies, Procedures and Controls Manual.

Monitoring of risk management policies and procedures
The Company Secretary/Chief Financial Officer is also responsible to the Board for monitoring compliance with risk management policies and procedures. The Board requires the Company Secretary/ Chief Financial Officer to report to it each six months whether operational, financial and compliance risks are being managed effectively.

The Company Secretary/ Chief Financial Officer is required to report to the Board at the end of each half year and financial year that his/her declaration under Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risks.

Other monitoring of financial control systems
A Compliance Manager reports to each Board meeting on his/her review of the key controls of the company.

The Group's external auditors also assess the internal financial control systems as part of their audit of the Group's financial statements and reports any weaknesses identified to the Audit and Risk Committee.