

AUDIT INDEPENDENCE POLICY

POLICY STATEMENT

Arvida will maintain Auditor Independence consistent with regulatory and the NZX Main Board requirements and current best practice.

BACKGROUND

Oversight of Arvida's external audit arrangements is the responsibility of Arvida's Audit and Risk Committee. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. This formal policy on audit independence has been adopted by the committee to meet this requirement.

This policy covers the following areas:

- Provision of related assurance services by Arvida's external auditors;
- Auditor rotation;
- Relationships between the auditor and Arvida;
- Approval of Auditor.

The Audit and Risk Committee shall only approve a firm to be auditor if that firm would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgment on all issues encompassed within the auditor's engagement.

RESPONSIBILITIES OF THE EXTERNAL AUDITOR

The external auditors shall annually confirm their compliance with professional standards and ethical guidelines of the New Zealand Institute of Chartered Accountants to evidence their competence.

AUDITOR ROTATION

The continued appointment of Arvida's external auditors is to be confirmed annually by the Audit and Risk Committee.

Rotation of Arvida's client service partner and the lead and concurring audit partners of Arvida and its subsidiaries will be required every five years with suitable succession planning to ensure consistency.

PROVISION OF NON-AUDIT SERVICES BY ARVIDA'S EXTERNAL AUDITORS

The guidelines that follow are designed to ensure that related assurance services provided by Arvida's auditors do not impair (and are not perceived as impairing) the independent role of the auditor.

The general principles to be applied in assessing related assurance services are as follows:

- The external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work;
- The external auditor should not perform any function of management or be responsible for making management decisions;
- The external auditor should not be responsible for the design or implementation of financial information systems; and
- The separation between internal and external audit should be maintained.

SERVICES PERMITTED TO BE PERFORMED

The Audit and Risk Committee must pre-approve all audit and related assurance services provided by the auditor.

Aside from core audit services Arvida's auditors may provide the following services with prior approval from the Audit and Risk Committee:

- Accounting policy advice;
- Advice on interpretation and application of Inland Revenue taxation policies;
- Listing advice;
- Accounting/technical training;
- Other assurance services including audit of existing company systems and processes;
- Advice on structuring or pricing of any deal, asset or company acquisition;
- Due diligence activities; and
- Advice that has a significant impact on the value of material asset or liability.

SERVICES NOT PERMITTED

It is not considered appropriate for Arvida's auditors to provide:

- Design and implementation of key financial information systems and processes;
- Valuation of assets and liabilities other than as required to complete regulatory audit requirements;
- Liquidations and receiverships;
- Services related to accounting records or financial statements;
- Tax planning, strategy and compliance services;
- Strategic business planning; and
- Legal services.

INFORMATION TO BE PROVIDED BY EXTERNAL AUDITORS

The external auditor is to provide the following assurances annually:

- Their compliance with the professional standards and ethical guidelines of the Institute of Chartered Accountants New Zealand to evidence their competence;

- The total fees received by the external auditor from Arvida do not have a material impact on its operations or financial condition;
- Arvida has not withheld fees from the external auditor;
- There is no litigation between Arvida and the external auditor; and
- The external auditor's partners and staff do not have any financial interest in Arvida; and
- There are no business relationships between Arvida and their external auditor beyond the provision of external audit services or approved services provided pursuant to this policy.

BILLING ARRANGEMENTS

The billing arrangements for services provided by Arvida's external auditors should not include any contingencies.

OTHER PROCEDURAL REQUIREMENTS

Regardless of Arvida's policies it is expected that Arvida's external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance (including independence rules and guidance issues by the New Zealand Institute of Chartered Accountants, the NZX, the Financial Markets Authority and other relevant overseas accounting bodies.

Development of local and overseas practices with regard to related assurance services shall be monitored on an ongoing basis to ensure that Arvida's policies remain compliant with best practice.

Arvida's external auditors will be expected to attend Arvida's annual meeting to answer questions from shareholders in relation to the audit.

REVIEW

This Policy has been approved by the Board and will be review as required and at least every two years.