MEMO

To: Board of Directors

From: Company Secretary

Subject: **SHARE REGISTRY AUDIT**

As part of a company's audit [of its annual accounts] one area that can be overlooked is audit of the share register to ensure, amongst other things, that the total share capital agrees with the issued/paid capital recorded in the general ledger and to check that all recorded transactions (new issues/transfers) appear to have been correctly processed.

This is important, regardless of the size of the company, the number/frequency of changes and whether or not it is stock exchange listed, and regardless of whether the share register is maintained in-house or externally by professional registrars.

In the normal course the simplest thing is for the directors to ask the auditor to perform this task as part of the annual audit.

Professional Registries

The larger professional registries (e.g., Computershare and Link) offer a generic service whereby one reputable national audit firm will audit 'everything' (ie, audit the records of the registry 'as a whole' to ensure that their systems and procedures are working properly and that each company's/shareholder's records appear to be correct).

Listed Companies

Stock exchange listed companies are required to have their share registry (which, in our case, actually comprises the Computershare register and CHESS sub-register) audited annually pursuant to ASX Settlement Operating Rule 5.23.1.

The CHESS sub-register is in fact audited every year on behalf of all listed companies by PwC and the results (ie, audit sign-off letter) posted on the ASX on-line website.

However, BDO's annual audit does not include the share register. So, to cover the ASX requirement as regards the Computershare register, we have for some years now accepted a "generic" compliance audit (of Computershare) undertaken by Ernst & Young (at a cost to each company that takes it of $500 – which is far less than what BDO would charge) – instead of using our own auditor – which meets most of the ASX audit requirement. The only element this does not cover is for the shares on issue as recorded at the registry to be reconciled with the company's records of issued capital; this is left to a company's usual auditor to do. However, E&Y can also provide a 'greater assurance' report which would include this aspect at a cost of $3,500, if required.

It is noted that Link utilise a slightly different approach in that they have a generic audit undertaken annually by KPMG but do not provide any written report (unless requested/paid for – see below). They do not specifically charge for such – the cost is covered in the regular registry fees. In fact, this is really all that is required – companies do not have to buy anything, because the ASX rule allows that if the audit is performed for the registry provider itself, then it covers all companies using that registrar. However, if a company does specifically want a confirmatory letter from KPMG then one is available at a charge of $500 - $1,000 depending on company size (i.e., presumably risk-related).