

**CHARTER FOR THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS OF MEGASOFT LIMITED**

**OBJECTIVES**

The management of the Company has the overall responsibility to prepare financial statements in accordance with Generally Accepted Accounting Principles. The Company's Statutory Auditors have the responsibility to audit the financial statements. The Audit Committee's responsibility is one of overseeing the financial information. However, the Audit Committee has no obligation to provide any expert or other special assurance as to the Company's financial statements.

The objectives of the Audit Committee are to:

- (a) Assist the Board of Directors of the Company in fulfilling its responsibilities to oversee and monitor the:
  - Company's financial reporting process;
  - Integrity of the Company's financial statements;
  - Company's compliance with legal and regulatory requirements;
  - Statutory Auditors qualification and independence; and
  - Performance of the Company's Internal Auditor and Statutory Auditor.
- (b) Provide the Company's Board with the results of its monitoring and recommendations derived there from.
- (c) Provide to the Board such additional information as the Audit Committee deems necessary to make the Board aware of significant financial matters that require the attention of the Board.

**MEMBERSHIP**

The Audit Committee will consist of three independent members of the Board, who shall meet all applicable legal requirements with respect to independence, financial literacy, accounting or related financial expertise, etc. The members of the Audit Committee will be appointed by the Board of Directors.

**POWERS**

In discharging its responsibilities, the Audit Committee shall have the following powers:

- (a) unrestricted access to the Company's books and records;
- (b) to seek information from any employee of the Company including the management of the Company.
- (c) to investigate any activity within its terms of reference.
- (d) to obtain the advice of lawyers, accountants or other professionals / consultants at the Audit Committee's sole discretion.

**RESPONSIBILITIES AND DUTIES**

The following are the responsibilities and duties of the Audit Committee. The Audit Committee may diverge from these responsibilities and may assume such other responsibilities as it deems necessary or appropriate in carrying out its functions.

1 Responsibilities and Duties in relation to Internal Auditors

- (a) Reviewing on a regular basis the adequacy of the internal audit function, coverage and frequency of internal audits.
- (b) Reviewing and discussing with internal auditors and management on issues / findings arising from the internal audit reports and follow up thereon. This would include reviewing the issues / findings arising from internal investigations into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the same to the Board of Directors.
- (c) Meeting separately with the Internal Auditors, Statutory Auditors and Management on a quarterly basis

2 Responsibilities and Duties in relation to Statutory Auditors

- (a) Audit Committee shall have the sole authority to:
  - engage, disengage and re-engage Statutory Auditors
  - pre-approve all audit engagement fees and terms
  - pre-approve any non-audit relationship with the Statutory Auditor
- (b) Discussion with Statutory Auditors before the audit commences, on the nature, scope and approach of the audit.
- (c) Post-audit discussion with Statutory Auditors to ascertain areas of concern. Review of the performance of the Statutory Auditors.
- (d) Conducting a “post-audit review” of the financial statements and audit findings including any suggestions for improvements provided to management by the Statutory Auditors.
- (e) Annually obtaining and reviewing a report by the Statutory Auditor describing:
  - any material issues raised by the most recent peer review of the firm
  - any inquiry or investigation by governmental or professional authorities within the preceding five years in respect of one or more independent audits carried out by the firm
  - any steps taken to deal with any such issues
  - all relationships between the Statutory Auditor and the Company so as to assess the Auditor’s independence
- (f) Reviewing and evaluating the Statutory Auditor as well as if necessary to consider rotation of Auditor in consultation with the Management.
- (g) Regularly reviewing with the Statutory Auditor any audit problems or difficulties and management’s response thereon.
- (h) Regularly reviewing with the Statutory Auditor:
  - any accounting adjustments that were noted or proposed by the auditor but were “passed” (as immaterial or otherwise)
  - any “management” or “internal control” letter issued or proposed to be

issued by the audit firm to the Company

3 Responsibilities in relation to the Company's financial statements

- (a) Review of the Company's accounting policies, internal accounting controls, financial and risk management policies and such other matters as the Audit Committee deems appropriate.
- (b) Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are materially correct.
- (c) Review and discuss the audited financial statements with management and the Statutory Auditors and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles.
- (d) Reviewing with management the annual financial statements before submission to the Board of Directors, focusing primarily on:
  - Any change in accounting policies and practices
  - Major accounting entries based on exercise of judgment by management
  - Qualifications in draft audit report
  - Significant adjustments arising out of audit
  - The going concern assumption
  - Compliance with accounting standards applicable to the Company
  - Any related party transactions, i.e., transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.
- (e) Reviewing before release of the financial statements audited or otherwise, the Director's Report, and such other matters which form part of the Annual Report of the Company.
- (f) Prior to filing, discussing with the management and the Statutory Auditor the following:
  - annual audited financial statements
  - quarterly financial statements
  - disclosures under "Management's Discussion and Analysis of Financial Condition"
  - disclosures under "Results of Operations"
  - Financial statements/forms to be released or submitted to any legal or regulatory authority
- (g) Discuss and review with the management:
  - earnings press releases
  - financial information provided to analysts
  - earnings guidance provided to analysts and rating agencies
  - policies with respect to risk assessment and risk management
  - the major financial risk exposures and the steps management has taken to monitor and control such exposures
- (h) Reviewing:
  - Major issues as to the adequacy of the Company's internal controls and

- any special audit steps adopted in light of material control deficiencies
- Analyses prepared by the management and/or the Statutory Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements
- The effect of regulatory and accounting initiatives
- Off-balance sheet structures on the financial statements

#### 4 Other general responsibilities

- (a) Regularly report to the Board of Directors its conclusions with respect to the various matters that the Audit Committee has considered as well as the independence of the Auditor to the full Board.
- (b) Review and reassess the adequacy of this Committee's Charter structure, processes and membership from time to time.
- (c) Review management's monitoring of compliance with Company's standards of Business conduct.
- (d) Reviewing on a need basis and if considered necessary, in conjunction with outside legal, accounting or other advisors any matters that could have a significant impact on the Company's financial statements.
- (e) Overseeing and reviewing of the Company's asset management policies, including an annual review of the Company's investment policies and performance for cash and short-term investments.
- (f) Reporting regularly to the Board with respect to:
  - the quality or integrity of the Company's financial statements;
  - Company's compliance with legal or regulatory requirements; and
  - the performance of the Statutory Auditor as well as the Internal Audit function.
- (g) Setting clear hiring policies for employees or former employees of the Statutory Auditors.
- (h) Reviewing, approving and monitoring the Company's code of ethics for its Principal and Finance Officers.
- (i) Review the functioning of the Whistle Blower mechanism
- (j) Presenting its conclusions at least annually with respect to the independence of the Auditor to the full Board.

#### 5 Additional Responsibilities

In addition to the above primary responsibilities, the Audit Committee will undertake such other duties as the Board of Directors delegates to it, and will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

## MEETINGS

The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the Audit Committee, whichever is higher and minimum of two

independent directors.

Under normal circumstances, meetings of the Audit Committee shall be attended by the Chairman, Executive Directors, Chief Financial Officer, Internal Auditor and the Statutory Auditors. The Audit Committee may at its discretion require the attendance of such other persons from within the Company at Audit Committee meetings.

The Audit Committee would be free to meet without the presence of any or all of the above mentioned persons if it so desires.

## **REPORTS**

The Audit Committee will report its summaries of recommendations to the Board.

## **MINUTES**

The Company Secretary shall maintain minutes of the meetings of the Audit Committee, which minutes will be submitted to the Board for noting.

## **COMPENSATION**

Members of the Audit Committee may not receive any compensation from the Company except the fees that they receive for service as a director or Board Committee member.

## **VOTING**

Each member of the Audit Committee shall have one vote on any matter requiring action by the Audit Committee.

## **PERFORMING EVALUATION**

The Board shall conduct a performance evaluation of the Audit Committee annually.

## **DELEGATION OF AUTHORITY**

The Audit Committee may delegate to one or more designated members of the Audit Committee the authority to pre-approve audit and permissible non-audit services, provided such pre-approval decision is presented to the full Audit Committee at its scheduled meetings.