

Audit Committee Charter of Asia Pack Limited

A. PURPOSE

The primary functions of the Audit and Risk Management Committee (“Audit Committee”) are to assist the board of directors in fulfilling its oversight responsibilities for reviewing –

1. the integrity of the financial statements and disclosures,
2. framework to monitor the compliance with applicable legal and regulatory requirements,
3. the internal financial controls and risk management systems,
4. the independent auditor’s qualifications and independence,
5. the performance of the company’s internal audit function and independent auditors,
6. the related party transactions,
7. selection of the statutory, cost and internal auditors for board and/or shareholder approval as required.

B. MEMBERSHIP & QUALIFICATION

1. The Audit Committee shall have minimum three directors as members. Two-thirds of the members of Audit Committee shall be Independent Directors.
2. The Chairperson of the Audit Committee shall be an independent director;
3. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Explanation (i): The term “financially literate” means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation (ii): A member will be considered to have “accounting or related financial management expertise” if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

4. The Chairperson of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries;
5. The Company Secretary shall act as the secretary to the committee.

C. MEETINGS OF THE COMMITTEE

1. The Audit Committee should meet at least four times in a year and not more than four months shall elapse between two meetings.
2. The quorum shall be either two members or one third of the members of the audit committee, whichever is higher, but there should be a minimum of two independent members present.
3. Participation of the Members by video conferencing or by other audio visual means shall also be counted for the purposes of quorum.

However, the Audit Committee shall not consider Accounts in any meeting held through video conferencing or other audio visual means.

4. The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee;
5. The auditors of a company and the key managerial personnel shall have a right to be heard in the meetings of the Committee when it considers the auditor's report but shall not have the right to vote.

D. POWERS OF THE COMMITTEE

The Audit Committee shall have the following powers:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To have full access to information contained in the records of the company.

Adopted by the Board of directors of Asia Pack Limited at its meeting held on 10th April, 2014.

E. ROLE OF THE COMMITTEE

The role of the Audit Committee shall be as under:

I. Financials

1. To review, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Qualifications in the draft audit report.
2. To review, with the management, the quarterly financial statements before submission to the board for approval;
3. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
4. To review management discussion and analysis of financial condition and results of operations;
5. To review the financial statements, in particular, the investments made by the unlisted subsidiary company(ies), if any.

II. Related Party Transactions

To review and approve all related party transactions as reported by the Management or any subsequent modification thereof.

To review disclosure of any “related party transactions” made in the Annual Financial Statements and Auditor’s Report.

III. Funds

1. To review, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
2. To scrutinize of inter-corporate loans and investments;
3. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

IV. Valuation

1. Valuation of undertakings or assets of the company, wherever it is necessary;
2. To appoint a Valuer for the aforesaid purposes, if any required.

V. Statutory Auditors

1. To review and monitor the auditor’s independence, performance, and effectiveness of audit process and may invite the management for discussion.
2. To recommend appointment, remuneration and terms of appointment of auditors of the company after taking into consideration the qualifications and experience of the individual or the firm proposed to be considered for appointment as auditor and that such qualifications and experience are commensurate with the size and requirements of the company. The

Committee shall also have regard to any order or pending proceeding relating to professional matters of conduct against the proposed auditor before the Institute of Chartered Accountants of India or any competent authority or any Court.

3. Prior approval of other services rendered by the statutory auditors (other than the ones prohibited under Section 144 of the Companies Act, 2014) and approval of payment therefor;
4. To discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

VI. Cost Auditors

The Committee may review and, if advisable, select and recommend for board approval and subsequently approval of shareholders:

1. the appointment (or re-appointment as the case may be) or terms of appointment or replacement or removal of the cost auditors, if any; and
2. the compensation of the cost auditors.

VII. Internal Audit

1. To review appointment, removal and terms of remuneration of the Chief Internal Auditor.
2. The Audit Committee, in consultation with the Chief Internal Auditor, finalize Internal Audit Charter, scope, functioning, periodicity, methodology and appointment of service providers for conducting the internal audit, if any required.
3. To review the adequacy of internal audit function, reporting structure coverage, frequency of internal audit and the performance of the Internal Auditors.
4. To discuss with internal auditors any significant findings and Internal Control weaknesses noted in the Internal Audit Report and follow up thereon.

5. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

VIII. Internal Controls

1. To review with the management adequacy of the Internal Control System.
2. To invite comments / observations from the auditors on internal control systems;
3. (a) To review the plan submitted by the management to mitigate the deficiencies reported in the design or operation of internal financial controls; and

(b) To receive from the management update, if any, on the:
 - significant changes in internal control over financial reporting during the year;

 - significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

 - instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting
4. Review of Management letters / letters of internal control weaknesses issued by the statutory auditors.
5. To evaluate the system of internal financial controls established by the management;

IX. Risk Management

To evaluate the Risk Management System including Risk Policy, Risk Process (Risk Identification, Assessment, Mitigation and Monitoring) and Risk Registers, laid down by the management, if any;

X. Whistle Blower Policy/Mechanism - (Vigil Mechanism)

1. To review and oversee the Whistle Blower mechanism.
2. To ensure that the complainant has direct access to the chairperson of the Audit Committee.
3. To take suitable action against any Director or employee in case of repeated frivolous complaints.

XI. Others

1. Approval of appointment of KMPs (including, the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
2. Review and confirm to the Board, on an annual basis, that Independent Directors have satisfied themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.
3. The Audit Committee may also discuss any other issue with the internal auditor, statutory auditor and management of the Company.
4. If any Fraud has been reported to the Audit Committee by the Statutory Auditors; or the Audit Committee has, sufficient reasons to believe that an offence involving fraud, is being or has been committed against the Company by officers or employees of the Company, it shall investigate the matter in a manner as appropriate and issue a Report thereof, within 45 days.
5. The Audit Committee may advise on the system for storage, retrieval, display or printout of the electronic records.

F. ANNUAL GENERAL MEETING

The Chairman of the Committee shall attend the Annual General Meeting to answer shareholders queries and provide any clarification on matters related to audit.