



ADOR FONTECH LIMITED

Regd. office: Belview 7 Haudin Road Bangalore 560 042; CIN: L31909KA1974PLC020010

Web: www.adorfon.com; Email: customerservice@adorfon.com, investorservice@adorfon.com

AUDIT COMMITTEE CHARTER

1. Purpose

The purpose of the audit committee (the “committee”) of Ador Fontech Limited (the “Company”) is to assist the Board with an oversight on (i) the integrity of the Company's financial statements (ii) the Company's independent Statutory, Branch and Internal Auditors' qualifications and independence (iii) performance of the Company's internal audit functions and that of the Auditors’ (iv) deployment of policies and assessing the adequacy of outcomes and (v) compliance with legal and regulatory requirements, with a view to ensure accurate, timely, proper, transparent disclosures based on integrity and quality of financial reporting.

The primary role of the committee is to oversee the financial reporting and disclosure process. To fulfil this obligation, the committee relies on: (i) the Company’s management (“Management”) for the preparation and accuracy of the Company's financial statements; (ii) both the Management and the Company's internal audit department for establishing effectiveness of internal controls and procedures to ensure the Company's compliance with accounting standards, financial reporting procedures and applicable laws and regulations; and (iii) the Company's independent auditors for an unbiased, diligent audit or review, as applicable, of the Company's financial statements and the effectiveness of the Company's internal controls.

The members of the committee are not employees of the Company and are not responsible for conducting the audit or performing other accounting procedures.

Broad terms of reference

- 1.1 Review the Company’s financial reporting process and its financial statements.
- 1.2 Review the efficacy of internal control mechanism including financial controls and monitor risk management policies adopted by the Company.
- 1.3 Review reports furnished by Internal/Statutory Auditors and ensure that suitable follow up action is taken.
- 1.4 Examine accounting, taxation and disclosure aspects as stipulated under various legislations.
- 1.5 Recommend appointment/re-appointment as also terms of appointment and remuneration of the Auditors and solicit professional guidance and support, whenever required.
- 1.6 Review and monitor auditor’s independence, performance and effectiveness of the audit process.
- 1.7 Examination of financial statement and the Auditors’ report thereon.
- 1.8 Approval/ratification of transactions of the Company with related parties.
- 1.9 Scrutiny of inter-corporate loans, investments and deposits.
- 1.10 Valuation of undertaking or assets or business units of the Company, wherever it is necessary.
- 1.11 Monitoring the end use of funds raised through public offers and related matters.
- 1.12 All other matters as may be specified under Section 177 of the Companies Act, 2013, including soliciting professional and legal opinions, whenever required and such other roles, responsibilities, guidance as laid down and forming part of the Corporate Governance Requirement of the Listing Agreement.

2 Composition

The Audit Committee shall comprise of minimum of three Directors of which at least two-third shall be independent Directors. The Chairman of the Audit Committee shall be an independent Director.

The Company Secretary shall act as the Secretary to the Committee.

3 Authority and Responsibilities

The committee shall have the following authority and responsibilities:

- 3.1 Appoint, retain, compensate, oversee the work of and if necessary, (including resolving disagreements between the Management and independent Auditors' regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- 3.2 Review and discuss with the Company's independent auditors (1) all critical accounting policies and practices to be used in the audit; and (2) other material written communications between the Auditors and the Management.
- 3.3 Provide an open avenue of communication between the Independent Auditor, Internal Auditor and the Board.
- 3.4 Meet at least four times every year, or more frequently based on requirements. The audit committee may ask members of the Management or others to attend meetings and provide pertinent information as necessary.
- 3.5 Evaluate qualifications, performance and independence of the independent auditor and confirm objectivity of the internal auditor.
- 3.6 Review and pre-approve all related party transactions of the Company. For this purpose, the committee may designate a member who shall be responsible for pre-approving related party transactions.
- 3.7 Review with the independent auditor on the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and effective use of all audit resources.
- 3.8 Consider and review the following with the independent auditor, the internal auditor and the Management:
 - The adequacy and effectiveness of internal controls, including any significant deficiencies or material weaknesses in the design or operation of or any material changes in the Company's internal controls; any special audit steps adopted in the light of any material control deficiencies and any fraud involving management or other employees with a significant role in such internal controls; related findings and recommendations of the independent auditor and internal auditor, together with the Management's responses.
 - Review and discuss with the Management, the independent Auditor and the Internal Auditor, the annual audited financial statements (including the related notes) and quarterly audited / unaudited financial statements, including the form of audit opinion to be issued by the auditors on the financial statements and the Company's disclosures under 'Management's Discussion and Analysis of Financial Condition and Results of Operations', prior to filing of the Company's Annual Report.
- 3.9 Conduct a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to the Management by the independent auditor or the internal auditor.
- 3.10 Review the Company's compliance with employee benefit plans.
- 3.11 Oversee and review the Company's policies regarding Information Technology and Management Information Systems.

4. Powers of the Audit Committee

The Audit Committee shall have powers, which inter-alia shall include:

- 4.1 To investigate any activity within its terms of reference.
- 4.2 To seek any information from any employee.
- 4.3 To obtain outside legal or other professional advice.
- 4.4 To secure attendance of outsiders with relevant expertise, if it considers necessary.

5. Review by the Audit Committee

The Audit Committee shall mandatorily review the following informations:

- 5.1 Management discussion and analysis of financial condition and results of operations.
- 5.2 Statement of significant related party transactions submitted by the Management.
- 5.3 Management letters/letters of internal control weaknesses issued by the Statutory Auditors.
- 5.3 Internal audit reports relating to internal control weaknesses.
- 5.5 The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

6. Relationship with independent and internal auditors

The committee has the ultimate authority and responsibility to select, evaluate and where appropriate, replace the independent auditor in accordance with the law. All possible measures must be taken by the committee to ensure objectivity and independence of the independent auditor. These include:

- 6.1 Review the independent auditors' proposed audit scope, approach and timing.
- 6.2 Oversee and at least annually evaluate the work of the independent auditor or any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, which evaluation shall include a review and evaluation of the lead partner of the independent auditor. The committee shall review, in consultation with the independent auditor, the annual audit plan and scope of audit activities and monitor such plan's progress.
- 6.3 Annually obtain and review report by the independent auditor that describes (i) the independent auditor's internal quality control procedures, and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding any independent audit performed by the independent auditor, and any steps taken to deal with any such issues.
- 6.4 Oversee the rotation of the independent auditor's lead audit and concurring partners and the rotation of other audit partners, with applicable time-out periods, in accordance with applicable law.

7. Disclosure requirements

- 7.1 The committee charter will be published on the Company's website and will have the same updated, whenever any amendment/changes/modifications/corrections is made to the charter.
- 7.2 The committee shall disclose in the Company's Annual Report, with respect to the concerned fiscal year:
 - The Management and/or the Auditors have reviewed the audited financial statements with the committee, including a discussion on the quality of the accounting principles applied and significant judgments affecting the Company's financial statements.

- The Members of the committee have discussed among themselves, without the Management or the independent auditor(s) being present, the information disclosed to the committee.
- The Committee, in reliance on the review and discussions conducted with the Management and the independent auditors pursuant to the requirements above, believes that the Company's financial statements are fairly presented in conformity with the Accounting Standards in all material respects.

8. Meetings and reports

- 8.1 The committee shall meet at least four times 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 greater, but there should be a minimum of two independent members present.
- 8.2 The committee will meet separately with the CEO, CFO/ Head of Accounts Department of the Company at such times as are appropriate to review the financial affairs of the Company. The audit committee will meet separately with the independent auditors and the head of the internal audit department of the Company in separate executive sessions, at such times as it deems appropriate (but not less than quarterly) to fulfill the responsibilities of the audit committee under this charter.

9. Delegation of authority

The committee may delegate to one or more designated members of the 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.