

**CHARTER OF THE
AUDIT COMMITTEE
OF THE
BOARD OF DIRECTORS
OF
PAKISTAN MERCANTILE EXCHANGE LIMITED**

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I. PURPOSE

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Pakistan Mercantile Exchange Limited (the “Company”) is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control functions and the code of conduct of the Company.

II. AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

1. Appoint, compensate, and oversee the work of an independent audit or accounting firm employed by the Company.
2. Resolve any disagreements between management and the independent auditor regarding financial reporting.
3. Pre-approve all auditing and non-audit services.
4. Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
5. Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
6. Meet with company officers, external auditors, or outside counsel, as necessary.

III. COMPOSITION

The committee will be composed of not less than three members of the Board who will not be officers or employees of the Company. They will be selected by the Board, taking into account their individual independence and objectivity. One of the members shall be appointed as the Chairman of the Committee by the Board. The Chairman of the Audit Committee shall be an independent director, who shall not be the Chairman of the Board. The Board shall satisfy itself that at least one member of the audit committee has relevant financial skills/expertise and experience.

IV. OPERATIONS

The Secretary of Audit Committee shall either be the Company Secretary or Head of Internal Audit. However, the CFO shall not be appointed as the Secretary to the Audit Committee. The

Secretary shall circulate minutes of meetings of the Audit Committee to all members, directors, Head of internal Audit and the CFO prior to the next meeting of the board and where this is not practicable, the Chairman of the Audit Committee shall communicate a synopsis of the proceedings to the Board and the minutes shall be circulated immediately after the meeting of the Board. The Secretary shall keep a record of the approved minutes of the meeting of the Committee, and receive notice from the Chairman, Managing Director or majority of the Committee members to call a meeting of the Committee.

V. MEETINGS

The Committee shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the Company by its Board and before and after completion of external audit. The Chair of the Committee or Company's Managing Director or a majority of the members of the Committee may call a special meeting of the Committee. A meeting of the Committee shall also be held, if requested by the Independent Auditors or the Head of Internal audit.

The Committee may invite to its meetings any director, member(s) of management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The CFO, the Head of Internal audit and a representative of the independent auditors shall attend meetings of the Committee at which issues relating to accounts and audit are discussed. At least, once a year, the Committee shall meet the independent auditors without the CFO and the Head of Internal audit being present. Additionally at least once a year, the Committee shall meet the Head of Internal audit and other members of the internal audit function without the CFO and the independent auditors being present.

Two of the voting members shall be present to complete the quorum and carry out the business of the Audit Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent. The Committee shall apprise regularly about its activities to the Board.

VI. RESPONSIBILITIES

The committee will carry out the following responsibilities;

Independent Auditors

1. Recommend to the Board the appointment or discharge of audit firm, considering independence and effectiveness, proposed audit scope and approach, fees and other compensation to be paid.

Charter of the Audit Committee

2. On an annual basis, review and discuss with the independent auditors all significant relationships the firm of independent auditors have with the Company to determine the firms' independence. The Committee shall resolve disagreements between management and the independent auditors regarding financial reporting.
3. Facilitating the independent audit and discussion with independent auditors, major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
4. Review management letter issued by independent auditors and management's response thereto;
5. Ensuring coordination between the internal and independent auditors of the company.
6. Approve all audit and non-audit services performed by the auditor.

Internal Auditors

1. Approve the internal audit charter.
2. Review and approve the internal audit plan and significant changes in planned activities; review significant findings resulting from audits and managements' responsiveness to the findings.
3. Review with the chief internal auditor the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
4. At least once per year, review the performance of the chief internal auditor and concur with the annual compensation and salary adjustment.
5. Approve decisions regarding the appointment and removal of the chief internal auditor. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief internal auditor.

Financial and Reporting Process

1. Review the integrity of the Company's financial reporting processes, both internal and external, including but not limited to:
 - i. all critical accounting policies and practices used by the Company;
 - ii. major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
 - iii. the integrity of the Company's financial reporting practices and the adequacy and effectiveness of internal controls, including a review of significant findings identified by the independent auditors and internal audit, management's responsiveness to such recommendations and any specific audit steps adopted in light of material control deficiencies and

- iv. going concern assumption;
 - v. compliance with applicable accounting standards;
 - vi. all related party transactions
2. Determine appropriate measures to safeguard the company's assets.
 3. Review quarterly, half yearly and annual financial statements of the company, prior to their approval by the Board.
 4. Instituting special projects, value for money studies other investigations on any matter specified by the Board, in consultation with the Managing Director and to consider remittance of any matter to the independent auditors or to any other external body.
 5. Determining compliance with the relevant statutory requirements.
 6. Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
 7. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.
 8. Consideration of any other issues or matter as may be assigned by the Board.

VII. INTERNAL CONTROLS

1. Ascertain that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
2. Review the Company's statement on internal control system prior to endorsement by the Board.

VIII. ANNUAL PERFORMANCE EVALUATION

The Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.