



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED
March 31, 2007**

HEALTHCARE SOLUTIONS



Management's Discussion and Analysis

For the quarter ended March 31, 2007

Management's discussion and analysis (the "**MD&A**") of Logibec Groupe Informatique Ltd.'s ("**Logibec**" or the "**Company**") operating results and changes in financial position for the three-month period ended March 31, 2007, as well as the Company's financial position on this date, should be read in conjunction with the consolidated financial statements and the related notes for the same fiscal year.

Management has presented certain non-**GAAP** (Generally accepted accounting principles) measures in this MD&A. Although earnings before interest, taxes, depreciation and amortization ("**EBITDA**") are not a performance measure defined by Canadian GAAP, management, investors and analysts use this measure to evaluate the operating and financial performance of the Company. Moreover, the Company's definition of EBITDA may differ from the one used by other companies. EBITDA is reconciled with net income—a performance measure defined by Canadian GAAP—in the table of selected annual information included in this MD&A.

This report is dated April 25, 2007. All monetary amounts are expressed in Canadian dollars.

■ Profile

Logibec is among the ten largest Canadian companies specializing in the development, marketing, implementation and support of information systems for the health and social services sector. Logibec serves over 200 clients throughout Quebec and the rest of Canada. Since completing its acquisition of MDI Technologies, Inc. ("**MDI**"), in June 2005, and Monette Information Systems Corporation ("**Monette**"), in March 2006, Logibec also serves over 800 clients representing approximately 1,900 facilities throughout the United States. Logibec's services are delivered by an experienced team of approximately 250 employees as at March 31, 2007. The Company has its head office in Montreal as well as offices in Quebec City, Edmonton, St. Louis, Missouri, and Smithfield, Virginia.

MISSION STATEMENT

Our mission is to assist organizations in the health and social services sector by offering professional services and powerful and scalable solutions for managing administrative, patient and clinical information.

Our primary objective is to provide superior quality customer support and to constantly upgrade our products by drawing on the expertise and quality of our human resources and making optimal use of information technologies. In the context of the regionalization of the healthcare sector in Canada and the constantly evolving post-acute healthcare sector in the United States, our commitment to our clients is demonstrated by flexibility that enables us to anticipate and quickly respond to their new IT requirements. We have the willingness and the ability to adapt our business practices, our service offering and our product offering in order to facilitate the significant transformation of healthcare services that our customers are experiencing.

In so doing, we hope to **CREATE VALUE** for our customers, employees and shareholders and become the leading North American supplier in our industry.

■ Restatement of 2005 consolidated financial statements

As a result of an evolution in the interpretation of the accounting principles stated in EIC-142 *Revenue Arrangements with Multiple Deliverables* issued by the CICA, the Company has restated the accounting treatment of certain revenue elements related to arrangements with multiple deliverables.

Arrangements with multiple deliverables in Canada

Prior to the fourth quarter of fiscal year 2006, the Company recognized revenue from professional services provided for the implementation of its Canadian software products upon delivery of these services. In the course of preparing the 2006 consolidated financial statements, it was determined that the services related to certain software products did not have value for the client on a stand-alone basis and therefore could not be accounted for separately from the rights of use granted to the customer under the terms of the agreements with customers. In such cases, the Company recognizes revenue from professional services on a straight-line basis over the initial term of the related agreements.

Arrangements with multiple deliverables in the United States

Also prior to the fourth quarter of fiscal year 2006, the Company recognized revenue from perpetual software licenses sold by MDI upon delivery of the software products. In the course of preparing the 2006 consolidated financial statements, it was determined that in order to retain the right to use the software, the support and maintenance service fees were not optional. Consequently, the Company must recognize revenue from perpetual software licenses on a straight-line basis over the initial term of the related agreements, which is generally five years.

Accordingly, the Company has restated its retained earnings as at September 30, 2004 as well as its financial statements for the year ended September 30, 2005. The impact of this restatement on the consolidated statements of earnings and consolidated balance sheets is presented in the tables below. The impact of this restatement on the consolidated balance sheet is presented in note 1 to the consolidated financial statements. The restatement has no impact on cash flows from operating activities. The relevant amounts of fiscal year 2005 that are included in this MD&A were restated to reflect the above-mentioned restatement principles.

Reconciliation of Selected Quarterly Financial Data (Restated)

(Quarterly data is unaudited)

| <i>thousands of dollars</i> | Fiscal year ended Sept. 30, 2005 | | | | Fiscal year ended Sept. 30, 2006 | | | |
|---|----------------------------------|--------------|--------------|--------------|----------------------------------|---------------|---------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4* |
| Revenue previously reported | 6,967 | 8,165 | 7,293 | 9,394 | 10,350 | 10,790 | 11,641 | 10,469 |
| Adjustment | (390) | (331) | (740) | (674) | (921) | (1,187) | (386) | |
| As restated | 6,577 | 7,834 | 6,553 | 8,720 | 9,429 | 9,603 | 11,255 | 10,469 |
| Net earnings previously reported | 1,007 | 1,328 | 1,099 | 1,091 | 1,635 | 1,805 | 1,736 | 2,088 |
| Adjustment | (169) | (131) | (293) | (370) | (244) | (334) | 16 | |
| As restated | 838 | 1,197 | 806 | 721 | 1,391 | 1,471 | 1,752 | 2,088 |

* Q4 of fiscal year 2006 is not a restatement. However it is included in the table to reflect the impact of the appropriate application of generally accepted accounting principles as discussed earlier.

■ Selected Financial Information

The table below presents selected information regarding Logibec's operating results and cash flow for the fiscal quarters ended March 31, 2006 and 2007 as well as the financial position as at September 30, 2006 and March 31, 2007.

In thousands of dollars except per share amounts

| | Three Months Ended March 31, 2007 | Three Months Ended March 31, 2006 (See note 1 to the consolidated financial statements) |
|--|---|--|
| OPERATING RESULTS | | |
| Revenue | 12,309 | 9,603 |
| EBITDA, <i>see calculation below</i> | 5,280 | 3,742 |
| Net earnings | 2,305 | 1,471 |
| EBITDA per share | 0.59 | 0.41 |
| Net earnings per share | 0.26 | 0.16 |
| Reconciliation of EBITDA and net earnings | | |
| Net earnings | 2,305 | 1,471 |
| Interest on indebtedness | 30 | 196 |
| Other interest (revenue) | (10) | (27) |
| Loss on disposition of property, plant and equipment | 120 | 18 |
| Income tax | 1,209 | 556 |
| Depreciation of property, plant and equipment | 263 | 269 |
| Amortization of intangible assets and other long-term assets | 1,363 | 1,259 |
| EBITDA | 5,280 | 3,742 |
| Investment in technology, net of tax credits | 376 | 464 |
| | March 31, 2007 | September 30, 2006 |
| FINANCIAL POSITION | | |
| Cash and cash equivalents | (276) | 3,098 |
| Total assets | 74,309 | 72,360 |
| Indebtedness | 5,720 | – |
| Indebtedness, net of cash and cash equivalents | 5,996 | (3,089) |
| Shareholders' equity | 40,938 | 37,933 |
| - per share | 4.64 | 4.25 |
| Working capital | (7,592) | (9,975) |
| Working capital ratio | 0.60 | 0.53 |
| Total debt/EBITDA (last 12 months) | 0.32 | n.m. |
| Debt-equity ratio (total debt/shareholders' equity) | 0.14 : 1 | n.m. |
| Common shares outstanding, <i>weighted average, basic</i> | 8,909,576 | 8,976,322 |
| Common shares outstanding | 8,821,624 | 8,931,724 |

n.m. = not meaningful

■ Highlights

- Revenue up 28% for the second quarter ended March 31, 2007, to stand at \$12.3 million compared to \$9.6 million for the same period in the previous fiscal year. Revenue for the first six months of fiscal year 2007 stands at \$22.3 million, representing an increase of 17%, compared to \$19.0 million for the same period in the previous fiscal year.
- Net earnings of \$2.3 million, up 57% for the quarter, or \$0.26 per share, compared to net earnings of \$1.5 million, or \$0.16 per share. Net earnings increased by 39% to \$4.0 million for the six-month period, compared to \$2.9 million for the same period in the previous fiscal year.
- Operating margin of \$5.3 million or 43% of total revenue, compared to \$3.7 million or 39% of total revenue for the same period in the previous fiscal year.
- Net margin increased to 19% of total revenue, compared to 15% of total revenue for the same quarter in the previous fiscal year. The net margin for the six months ended March 31 increased from 15% in 2006 to 18% in 2007.

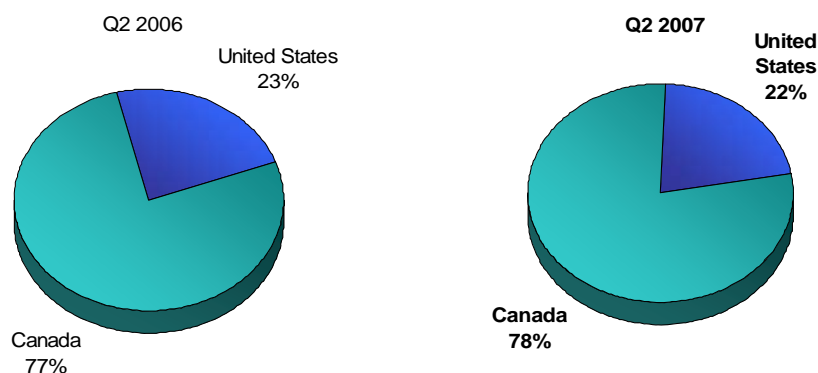
■ Operating Results

This report compares the operating results for the quarter ended March 31, 2007, with those of the quarter ended March 31, 2006 (restated).

REVENUE

Revenue for the second quarter of fiscal year 2007 stood at \$12.3 million, an increase of 28%, compared to \$9.6 million for the same period in the previous fiscal year. Revenue for the first six months of fiscal year 2007 stands at \$22.3 million, representing an increase of 17%, compared to \$19.0 million for the same period in the previous fiscal year.

Geographical Revenue Breakdown



Revenue from Canadian activities for the quarter ended March 31, 2007, represents 78% of consolidated revenue compared to 77% of consolidated revenue for the same period in the previous fiscal year. Revenue from American activities decreased from 23% of consolidated revenue for the second quarter of fiscal year 2006 to 22% of consolidated revenue for the current fiscal year. This decrease is due to the significant increase in non-recurring revenue in Canada, as explained below, and does not represent a long-term trend. It should be noted that American activities make up 30% of consolidated recurring revenue. Management still believes that the growth in American activities, whether it be organic or through acquisitions, will result in an increase in the proportion of consolidated revenue from the United States.

Revenue Growth

(in thousands of Canadian dollars)

| | Q2 2006 | Q2 2007 | Variation | Growth |
|-----------------------------|---------|---------------|-----------|--------|
| Canada | 7,370 | 9,648 | 2,278 | 31% |
| United States | 2,233 | 2,661 | 428 | 19% |
| Consolidated Revenue | 9,603 | 12,309 | 2,706 | 28% |

Revenue from Canadian activities

Revenue from Canadian activities for the quarter ended March 31, 2007, stands at \$9.6 million, representing an increase of 31% compared to the same quarter in the previous fiscal year. This growth is mainly due to an increase in non-recurring revenue of over \$2.1 million or 188%. Activities that contributed to the increase are (i) special work carried out to implement the pay equity measures ordered by the Quebec government for public sector employees and more specifically for employees in health and social services facilities using the Company's payroll services, (ii) professional services provided to clients using our clinical administrative software, (iii) software development services for the I-CLSC software and (iv) the sale and installation of servers.

For the quarter ended March 31, 2007, our recurring revenue from Canadian activities increased by nearly \$0.2 million to \$6.4 million, representing an increase of 2% compared to \$6.2 million for the same period in the previous fiscal year, and this, despite a context that continues to be highly competitive.

As at March 31, 2007, the Company had \$2.0 million in current deferred professional services revenue and \$3.7 million in long-term deferred professional services revenue in accordance with its revenue recognition policy based on EIC-142. This revenue as well as the related costs will be recognized over the average term of the related agreements which is generally three years.

Revenue from American activities

Revenue from American activities increased by \$0.4 million for the second quarter to stand at \$2.7 million. This increase is due to growth in recurring revenue resulting from the contribution of Monette's activities as well as from organic growth in MDI's activities.

As at March 31, 2007, the Company had \$0.8 million in current deferred software license revenue and \$1.9 million in long-term deferred software license revenue in accordance with its revenue recognition policy based on EIC-142. This revenue, as well as the related costs, which are commissions granted to sales representatives and agents, are recognized over the average term of the related agreements, which is generally five years.

OPERATING INCOME

Operating income before depreciation and amortization, income from temporary investments, loss on disposal of fixed assets, financial expenses and taxes for the quarter ended March 31, 2007 stood at \$5.3 million, representing an increase of \$1.6 million or 42% over the same period last year. Operating income before depreciation and amortization, income from temporary investments, loss on disposal of fixed assets, financial expenses and taxes for the first six months ended March 31, 2007 stood at \$9.3 million, representing an increase of \$2.1 million or 29% over the same period last year.

OPERATING EXPENSES

Operating expenses for the quarter, which are composed of service costs and selling and administrative expenses, stood at \$7.0 million, representing an increase of \$1.1 million compared to the operating expenses recorded for same period in the previous fiscal year. The operating expenses for the first six months of fiscal year 2007 stood at \$12.9 million compared to \$11.8 million recorded for same period in the previous fiscal year.

Service costs. Service costs increased by \$0.9 million or 22%. The variance in service costs is presented in the following table:

| Service Costs | | | Service Costs / Revenue | | |
|------------------------------------|---------|--------------|--------------------------------|---------|------------|
| (in thousands of Canadian dollars) | | | | | |
| | Q2 2006 | Q2 2007 | Variance | Q2 2006 | Q2 2007 |
| Canada | 3,087 | 3,654 | 567 | 42% | 38% |
| United States | 737 | 1,028 | 291 | 33% | 39% |
| Consolidated Service Costs | 3,824 | 4,682 | 858 | 40% | 38% |

Canadian service costs increased by 18% for the second quarter of 2007 compared to the same period in the previous year. The \$0.6 million increase in this item results from an increase in the previously described professional services revenue and from a decrease in expenses that were capitalized as software development costs. The significant increase of 40% in the service costs for American activities is mainly due to the addition of wage costs for Monette's employees.

Selling, general and administrative expenses. Selling, general and administrative expenses were \$2.3 million or 19% of revenue for the quarter compared to \$2.0 million or 21% of revenue for the same period last year. The increase of \$0.3 million is mainly explained by the increase in the selling, general and administrative expenses of Monette's activities.

Stock-based compensation. Stock-based compensation expense was \$29,648 for the second quarter of the fiscal year compared to \$88,944 for the same period in the previous fiscal year. This expense is related to stock options granted on April 1, 2005. As of April 1, 2007, all these stock options became exercisable and therefore no expense remains to be recognized for these grants. Given that the Company has not granted any additional stock options since April 1, 2005, no expense for stock-based compensation will be recognized as of the quarter ended June 30, 2007, unless additional options are granted. As of the date of the present MD&A, the Company does not expect to grant additional stock options.

AMORTIZATION OF FIXED ASSETS, INTANGIBLE ASSETS AND OTHER LONG-TERM ASSETS

Amortization of fixed assets, intangible assets and other long-term assets for the quarter ended March 31, 2007 rose to \$1.6 million, representing an increase of 6% compared to the same period in the previous fiscal year. This increase is mainly due to the amortization of the customer relationship and technology acquired from Monette and from the acceleration of the amortization of certain elements of the technology developed in-house.

LOSS ON DISPOSITION OF PROPERTY, PLANT AND EQUIPMENT

The Company recognized a loss on disposal of fixed assets of \$0.1 million over the second quarter. This loss results from the sale of a commercial printer formerly used by the Company's payroll processing center and no longer required due to the increased use of electronic documents.

FINANCIAL EXPENSES

Financial expenses decreased by \$0.1 million, representing a decrease of 74% compared to financial expenses for the same period last year. Financial expenses were mainly composed of interest charges related to the credit facilities initially obtained to finance the bid for MDI and the subsequent merger. As at March 31, 2007, long-term debt outstanding was \$5.7 million compared to \$12.7 million for March 31, 2006.

NET EARNINGS

Net earnings for the second quarter ended March 31, 2007 increased by 57% to \$2.3 million, or \$0.26 per share (\$0.26 per fully-diluted share), compared to \$1.5 million, or \$0.16 per share (\$0.16 per fully-diluted share), for the same period in the previous fiscal year. For the first six months ended March 31, 2007, net earnings increased by 39% or \$1.1 million to stand at \$4.0 million, or \$0.45 per share (\$0.44 per fully-diluted share), compared to \$2.9 million, or \$0.32 per share (\$0.32 per fully-diluted share), for the first six months of the previous fiscal year.

■ Summary of Quarterly Results (as restated)

A summary of the consolidated financial data drawn from the unaudited interim consolidated financial statements for the last eight quarters is shown below.

| <i>thousands of dollars</i> | 2005 | | 2006 | | | | 2007 | |
|-------------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4* | Q1* | Q2* |
| Revenue | 6,553 | 8,720 | 9,429 | 9,603 | 11,255 | 10,469 | 9,970 | 12,309 |
| Operating Expenses | | | | | | | | |
| Service costs | 3,281 | 3,300 | 3,607 | 3,824 | 4,702 | 4,135 | 4,142 | 4,682 |
| Selling and administrative expenses | 877 | 2,177 | 2,240 | 1,949 | 2,075 | 2,039 | 1,767 | 2,295 |
| Stock-based compensation | 70 | 108 | 89 | 89 | 30 | 29 | 30 | 30 |
| | 4,228 | 5,585 | 5,936 | 5,862 | 6,807 | 6,203 | 5,939 | 7,007 |
| Operating Earnings | 2,325 | 3,135 | 3,493 | 3,741 | 4,448 | 4,266 | 4,031 | 5,302 |
| Amortization | 1,070 | 1,733 | 1,496 | 1,528 | 1,592 | 1,611 | 1,558 | 1,626 |
| Loss on disposition of fixed assets | — | — | — | 18 | 18 | — | 4 | 120 |
| Income on temporary investments | (13) | (6) | (15) | (27) | (25) | (33) | (24) | (10) |
| Financial expenses | 156 | 223 | 192 | 195 | 184 | 74 | (19) | 52 |
| Earnings before Income Tax | 1,112 | 1,184 | 1,820 | 2,027 | 2,679 | 2,614 | 2,511 | 3,514 |
| Income tax | 306 | 463 | 429 | 556 | 928 | 526 | 840 | 1,209 |
| Net Earnings | 806 | 721 | 1,391 | 1,471 | 1,751 | 2,088 | 1,671 | 2,305 |
| Net Earnings per Share | | | | | | | | |
| Basic | 0.11 | 0.09 | 0.16 | 0.16 | 0.19 | 0.24 | 0.19 | 0.26 |
| Diluted | 0.10 | 0.08 | 0.15 | 0.16 | 0.19 | 0.24 | 0.19 | 0.26 |

* Not a restatement. However it is included in the table to reflect the impact of the appropriate application of generally accepted accounting principles as discussed earlier.

■ Liquidity and Sources of Financing

OPERATING ACTIVITIES

For the second quarter ended March 31, 2007, operating activities used cash flows of \$0.9 million, whereas these activities, for the same period in the previous fiscal year, generated cash flows of \$0.8 million. This significant decrease is explained mainly by a change in non-cash working capital items, particularly the increase in receivables following the invoicing of professional services related to the implementation of the previously described pay equity measures.

INVESTING ACTIVITIES

The Company used \$3.5 million for investing activities during the quarter ended March 31, 2007. The main investing activity was the acquisition of the business activities of Choice Systems Enterprise, Inc. (“**Choice Systems**”) for cash consideration of US\$2.3 million (CA\$2.7 million) and a promissory note in the amount of US\$0.2 million (CA\$0.2 million). The amount of the promissory note is subject to certain adjustments and is payable six months after the acquisition date.

During the second quarter of 2007, the Company invested \$0.2 million in fixed assets and \$0.4 million in intangible assets, which were mainly capitalized software development costs.

FINANCING ACTIVITIES

The quarter from January to March is the quarter during which the Canadian operating unit generates the least cash flow since most of the recurring revenue is billed annually on April 1. This fact contributed to the Company's need to borrow \$7.7 million under its credit facilities during the second quarter in order to finance its operations. These loans were also required to finance stock redemptions and a portion of the consideration paid for the Choice Systems transaction.

During the second quarter, the Company repurchased 110,000 common shares through a normal course issuer bid announced on February 13, 2007. These shares were repurchased for cash consideration of \$2.0 million at an average price per share of \$18.53. In addition, during the quarter, the Company made regular monthly payments and advance payments on its reducing revolving term loans which totaled \$2.0 million. Management believes that the reducing revolving term loans will be repaid in full during the current fiscal year.

Subsequently to the end of the quarter, MDI obtained a credit facility of US\$10 million from an American financial institution. Management's decided to put in place the facility in order to finance MDI's acquisitions from American sources.

■ Obligations and Commitments

The Company's contractual obligations and commitments comprise mainly the leases for its office spaces situated at Cité du Multimédia and the CNNTQ in Québec City, for its office space for MDI in St. Louis, Missouri, and in Smithfield, Virginia. Leases for the head office space in Montreal have been renewed until December 2012 in order for the Company to take advantage of tax credits offered by the Cité du Multimédia for the full period of eligibility. In August 2004, the lease for MDI's office space in St. Louis was renewed until December 2010. Finally, MDI signed a lease ending in March 2010 for its new office space in Smithfield, Virginia. Employees moved to this office in March 2007.

■ Related Party Transactions

During the second quarter ended March 31, 2007, the Company entered into the following transactions with a shareholder of a company having significant influence over the Company.

| | |
|----------------------------|----------------|
| | \$ |
| Management fees – expenses | <u>177,543</u> |

These transactions were in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

■ Risks and Uncertainties

For a description of the risks to which the Company is exposed, readers are referred to Management's Discussion and Analysis for the 2006 fiscal year. This report is available on SEDAR at www.sedar.com as well as on the Company's website at www.logibec.com.

■ Accounting Policies

Readers are invited to refer to Note 2 to the consolidated financial statements for the first quarter of 2007 for a detailed description of changes in accounting policies.

■ Disclosure Controls and Procedures

Based on management's knowledge of the Company's disclosure controls and procedures, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, are effective to ensure that information required to be disclosed in reports that the Company files or submits under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

■ Forward-looking Statements

The MD&A contains forward-looking statements that are subject to risks and uncertainties. Any statement in this report that is not a historical fact may be considered a forward-looking statement. In this MD&A, verbs such as "believe", "consider", "expect" and other similar expressions generally indicate forward-looking statements. Forward-looking statements do not provide a guarantee of the Company's future performance nor of the performance of its industry sector. They assume known and unknown risks as well as uncertainties that may result in the Company's outlook, its performance or its actual results or those of its industry sector differing significantly from the performance or future results expressed or implied by the forward-looking statements.

■ Additional Information

The reader can obtain additional information and documents by consulting the SEDAR website at www.sedar.com as well as the Company's website at www.logibec.com.

■ Corporate Information

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STOCK

The Company's Common Shares are traded on the Toronto Stock Exchange under the symbol "LGI".

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