

AUDIT COMMITTEE REPORT

Composition and Meeting Attendance of the Committee

Audit Committee Members		Attendance								
		20/05/2021	01/07/2020	10/07/2020	11/08/2020	10/09/2020	11/11/2020	07/12/2020	09/02/2021	15/03/2021
Chairman	Mr. R.N. Asirwatham <i>Independent Non-Executive Director</i>									
Members	Mr. J.M.S. Brito <i>Independent Non-Executive Director</i>			EX						
	Mr. G.C. Wickremasinghe <i>Independent Non-Executive Director</i>									
	Mr. C.H. Gomez <i>Independent Non-Executive Director</i>			EX	EX	EX	EX	EX	EX	EX
	Mr. N.J. de S Deva Aditya/ Mr. A. L. Gooneratne <i>(Alternate Director for Mr. N. J. de S Deva Aditya)</i> <i>Non-Executive Director</i>									

Present in person Attendance via MS Teams **EX** Excused

Attendance by invitation

Dr. M.P. Dissanayake : *Deputy Chairman and Managing Director, Aitken Spence PLC*

Ms. D.S.T. Jayawardena : *Executive Director, Aitken Spence PLC*

Ms. N. Sivapragasam : *Chief Financial Officer, Aitken Spence PLC*

In addition to the above, Senior Officers of the Group as well as the partner of KPMG responsible for the Group's audit attended the meetings by invitation as and when required.

Secretaries to the Committee

Mr. H.K.A. Rathnaweera : *Chief Internal Auditor*

Mr. D.D.M.A. Saparamadu : *General Manager – Internal Audit*

Responsibilities

- Ensure that the financial statements are prepared, presented and the information are adequately disclosed in accordance with the Sri Lanka Accounting Standards (SLAS).
- Ensure that financial reporting requirements and information requirements of the Companies Act and other relevant financial reporting requirements are duly complied.
- Ensure that Group internal control and risk management processes are adequate to meet the SLAS requirements.
- Assessment of the independence and the performance of the External Auditors.
- Make recommendations to the Board pertaining to the appointment, re-

appointment and/or removal of the External Auditors and to approve their remuneration and terms of engagement.

Summary of Key Focus Areas

Risk Management and Internal Control

- Reviewed the prevalence and adequacy of Group's internal control and risk management framework and highlighted the areas which requires attention, and suggested recommendations to the Board.
- Ensured that the risks are appropriately monitored and controlled, by considering the Group's principal risks and uncertainties and by reviewing the mitigating actions taken by the management.

- Reviewed the processes to ensure the internal controls and risk management framework are adequate to meet the requirements of the Sri Lanka Accounting Standards.
- Ensured that the Group adheres to and complies with all relevant laws, rules and regulations of the country, international laws and codes of ethics and standards of conduct required by regulatory authorities, professional bodies and trade associations.

Financial Reporting and Financial Control

The Committee at its meetings reviewed the Group's quarterly and annual Financial Statements, adequacy of disclosures, uniformity and appropriateness of the

AUDIT COMMITTEE REPORT

accounting policies adopted, major judgemental areas and ensured that they were in compliance with the Companies Act No. 7 of 2007, applicable Sri Lanka Accounting Standards and other applicable Accounting Standards of jurisdiction in which each subsidiary operate in, Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and requirements of other regulatory bodies as applicable to the Group, and suggested recommendations in line with those requirements.

The Committee also ensures that the Group adheres to and complies with all relevant laws, rules and regulations of the country and regulatory bodies, with regard to financial reporting, international laws and codes of ethics and standards of conduct required by regulatory authorities, professional bodies and trade associations and other best accounting practices and principles.

In addition to the above the Committee evaluates and assess the changes in the tax environment and its impact to the Group.

External Audit

- Reviewed and approved the external audit plan presented by the external auditors.
- Reviewed and monitored the progress of the external audit.
- Discussed the audited financial statements with external auditors and ensured that they were in conformity with the Sri Lanka Accounting Standards and other regulatory requirements.
- Discussed the management letter of the external auditors and ensured that the management had taken appropriate actions to satisfactorily resolve highlighted issues.
- Held discussion from time to time to assess the current developments in respect of reporting and compliance in view of the changes in the Auditing Standards, Inland Revenue Act etc.
- Assessed the performance and effectiveness of the external auditors, their independence, professional capabilities and made recommendations

to the Board pertaining to the re-appointment of the external auditors.

Internal Audit

The Committee reviewed the adequacy of the coverage provided by the Group Internal Audit and ensured its co-ordination with the external auditors. Further, all operational audit reports, IT security reports and risk reports submitted by the Group Internal Audit Department and management responses thereto are reviewed and evaluated at each audit Committee meeting.

The Committee reviewed and evaluated the independence, effectiveness and competency of the Group's Internal Audit function, their resource requirements, and made recommendations for any required changes.

Compliance with Legislation

The Committee followed the following processes to establish the key legislations which the Group is required to comply with:

- Ensuring whether controls are in place to ensure compliance with laws and regulations,
- Processes followed when non-compliance with laws and regulation have been identified, including any disciplinary actions,
- Addressing any non-compliance identified by management, internal or external auditors and actions taken to rectify these matters.

Reporting

The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee and the minutes of the Audit Committee meetings are also tabled at the Board. Further, the Annual Report incorporates the Audit Committee Report which highlights areas of compliance with the key activities of the Committee.

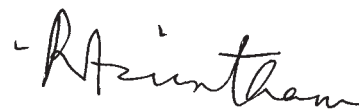
The Chairman of the Audit Committee attends the Annual General Meeting enabling the shareholders to raise queries to the Chairman of the Committee on its affairs.

RE-APPOINTMENT OF EXTERNAL AUDITORS - M/S KPMG, CHARTERED ACCOUNTANTS

The Committee perused transactions with the External Auditors and ensured that there was no significant material transaction between the External Auditors and the companies in the Group. The Committee further perused the share register and ensured that there were no shares held by the External Auditors.

The Committee having considered that there were no significant material transactions between the External Auditors and the Group companies, that there were no shares held by the External Auditors, the confirmation received from the External Auditors and the periodic rotation of the Audit Partner, noted that KPMG, Chartered Accountants are independent and are eligible for re-appointment as the External Auditors of the Company.

Having noted the above, the Committee recommends to the Board that M/S KPMG, Chartered Accountants be re-appointed as the External Auditors of the Company for the current financial year, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.



R.N. Asirwatham
Chairman
Audit Committee

Colombo
28th May 2021