

## AUDIT COMMITTEE REPORT

Aitken Spence PLC, through its subsidiary, joint venture and associate companies in diverse sectors has a broad geographic spread, which signifies the necessity of achieving best practices in financial reporting, internal control and risk management in the Group.

The Committee has sought to balance independent oversight of the Group's businesses with the support and guidance to the Board of Directors to fulfil their obligations and responsibilities in relation to financial reporting processes, adequacy and effectiveness of internal control systems, external audit, and the Group's process for monitoring compliance with laws and regulations. The Committee believes that there are many reasons for the Audit Committee to be confident that it has carried out its duties successfully and to a high standard during the year, thereby helping to enrich the value of the Group.

Composition			
			Member Since
Chairman	Mr. R.N. Asirwatham	Independent Non-Executive	2009
Members	Mr. G.C. Wickremasinghe	Independent Non-Executive	2002
	Mr. C.H. Gomez	Independent Non-Executive	2002
Secretary	Mr. N.J. de S Deva Aditya/ Mr. A.L. Gooneratne (Alternate Director for Mr. N.J. de S Deva Aditya)	Non-Executive	2009
	Mr. R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)	Company Secretary, Aitken Spence PLC	
	Mr. H.K.A Rathnaweera (Appointed as Secretary to the Committee w.e.f. 30.06.2016)	Chief Internal Auditor, Aitken Spence PLC	
Attendance by invitation	Mr. J.M.S. Brito	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	

Meetings										
Attendance of the Members										
Dates of meetings		13.05.2016	01.07.2016	08.08.2016	24.08.2016	31.08.2016	01.11.2016	22.11.2016	07.02.2017	01.03.2017
Chairman	Mr. R.N. Asirwatham	✓	✓	✓	✓	✓	✓	✓	✓	✓
Members	Mr. G.C. Wickremasinghe	✓	✓	*	t	t	✓	✓	*	✓
	Mr. C.H. Gomez	*	✓	*	*	t	*	✓	✓	t
	Mr. N.J. de S Deva Aditya/ Mr. A.L. Gooneratne (Alternate Director for Mr. N.J. de S Deva Aditya)	✓	✓	✓	✓	✓	✓	*	*	*

✓ present      \* excused      t via teleconference

### COMPOSITION OF THE COMMITTEE

The Audit Committee is comprised of four Non-Executive Directors, of whom, three are Independent Non-Executive Directors and the Committee is chaired by an Independent Non-Executive Director. Mr. H.K.A. Rathnaweera, Chief Internal Auditor of Aitken Spence serves as the Secretary to the Committee with effect from June 30, 2016, subsequent to the resignation of Mr. R.E.V. Casie Chetty, Company

Secretary, Aitken Spence PLC. Profiles of the members are given on pages 28 to 31 of this report.

### COMMITTEE MEETINGS

The Audit Committee functioned throughout the financial year and held 9 formal meetings.

### ATTENDANCE BY INVITATION

Mr. J.M.S. Brito, the Deputy Chairman and Managing Director, Ms. D.S.T. Jayawardena, Executive Director, Ms. N. Sivapragasam, Chief Financial Officer and other 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.

### RE-APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee having evaluated the performance of the external auditors, recommended to the Board the re-appointment of Messrs KPMG, Chartered Accountants as the auditors of the Company for the current year, subject to approval of the shareholders at the forthcoming Annual General Meeting.

AUDIT COMMITTEE REPORT

SUMMARY OF KEY FOCUS AREAS IN THE YEAR ENDED 31ST MARCH 2017

Responsibility	Activity
<p><b>Risk Management and Internal Control</b></p> <p>Review the adequacy of Company's internal control and risk management systems.</p>	<ul style="list-style-type: none"> <li>Reviewed the adequacy and effectiveness of the Group's internal controls and risk management activities and highlighted the areas which required attention, and suggested recommendations to the Board.</li> <li>Ensured that the Group adheres to and complies with all relevant laws, rules and regulations of the country, international laws and codes of conduct; and standards of conduct required by regulatory authorities, professional bodies and trade associations.</li> </ul>
<p><b>Financial Reporting and Financial Control</b></p> <p>Monitor the integrity of the Group's financial statements and review significant financial reporting judgments contained in them.</p>	<ul style="list-style-type: none"> <li>Reviewed the Group's quarterly and annual financial statements, adequacy of disclosures, uniformity and appropriateness of the 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 requirements of other regulatory bodies as applicable for the Group, and suggested recommendations in line with those requirements.</li> <li>Reviewed the operational and other management information reports submitted by the Group's management to the Audit Committee and made recommendations for improvements.</li> </ul>
<p><b>External Audit</b></p> <p>Make a recommendation to the Board on the appointment, reappointment and removal of the external auditor</p>	<ul style="list-style-type: none"> <li>Assessed the performance and effectiveness of the external auditors, and their independence and professional capabilities and made recommendations to the Board.</li> <li>Reviewed the audit plan presented by the external auditors and provided advice and support regarding the execution of the plan.</li> <li>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.</li> <li>Held discussions with Messrs KPMG, pertaining to the Management Letter issued by them at the conclusion of the audit and instructed the management to take appropriate and follow up action on matters highlighted therein.</li> <li>Reviewed the fees &amp; out of pocket expenses proposed by external auditors and suggested recommendations to the Board.</li> </ul>
<p><b>Internal Audit</b></p> <p>Review the operation and effectiveness of the Group internal audit function</p>	<ul style="list-style-type: none"> <li>Reviewed and evaluated the independence and effectiveness of the Group's internal audit department and their resource requirements, and made recommendations for any required changes.</li> <li>Reviewed and approved the annual internal audit plan together with the Information Technology (IT) security plan and strategic risk plan and made appropriate recommendations for improvements.</li> <li>Reviewed and discussed the periodic reports submitted by the Group internal audit department with management responses, on financial and operational audits, IT security, and risk assessments carried out in line with the approved annual internal audit plan.</li> </ul>
<p><b>Reporting</b></p>	<ul style="list-style-type: none"> <li>The Audit Committee continued to ensure the co-ordination between the Group Internal Audit Department and external auditors.</li> <li>The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee.</li> <li>The Annual Report incorporates the Audit Committee Report.</li> <li>The Chairman of the Audit Committee attends the Annual General Meeting.</li> </ul>



R.N. Asirwatham  
Chairman  
Audit Committee

Colombo  
26th May 2017