

REPORT OF THE AUDIT COMMITTEE

The Committee consists of five (5) members and two members are Senior Chartered Accountants. The Committee is chaired by Mr A D B Talwatte, and Corporate Services (Private) Limited, the Secretaries of the Company function as the Secretaries to the Audit Committee. The Group Managing Director and sector Managing Directors attend meetings by invitation. The Group Chief Financial Officer, and Sector Heads of Finance attend meetings as requested. The Charter for the Audit Committee is in line with the international best practices frame work. The Audit Committee reviews the Charter annually and is updated to reflect current developments and other matters considered necessary by the Committee.

MEETINGS

The Audit Committee met eight (8) times during the year. Attendance of the Committee members at each of these meetings is as follows:

ATTENDANCE

A D B Talwatte (Chairman)
Independent Non-Executive
08 of 08 meetings

N B Weerasekera (Member)
Independent Non-Executive – resigned on 28 May 2018
01 of 01 meeting

H Abeywickrama (Member)
Independent Non-Executive
08 of 08 meetings

B A Hulangamuwa (Member)
Non-Independent Non-Executive – resigned on 30 May 2019
05 of 08 meetings

S Shishoo (Member)
Independent Non-Executive
06 of 08 meetings

A Cabraal (Member)
Independent Non-Executive – Appointed to Audit Committee
w.e.f. 28 May 2018
06 of 07 meetings

THE AUDIT COMMITTEE AND ITS RESPONSIBILITIES

The objectives of the Audit Committee is to ensure that the Company presents Financial Statements that are true and fair, complies with applicable financial reporting standards and relevant laws and regulations governing financial reporting, has an effective system of internal controls and risk management and an independent process for external audit. The Audit Committee obtains the representation from the Group Chief Financial Officer on compliance with law and regulations, adequacy and effectiveness of internal control systems, fraud (if any), and going concern. The Committee reviews the published Financial Statements, assesses compliance with regulatory requirements, considers the impact of risks, fraud and errors in the Financial Statements, Internal Audit Reports, the external audit findings and recommends the appointment and remuneration of the External Auditors.

THE REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS OF SUNSHINE HOLDINGS PLC

Management of Sunshine Holdings PLC is responsible for its internal control and financial reporting including the preparation of Consolidated Financial Statements. Independent Auditors are responsible for auditing Annual Consolidated Financial Statements in accordance with generally accepted auditing standards and ensuring that the Financial Statements truly and fairly present the results of operations and the financial position of the Company. The Independent Auditors are also responsible for issuing an opinion on those Financial Statements. The Audit Committee monitors and oversees these processes. The Audit Committee annually recommends to the Board for its approval an independent accounting firm to be appointed as the Company's Independent Auditors.

TO FULFIL ITS OBLIGATIONS THE AUDIT COMMITTEE CARRIED OUT THE FOLLOWING ACTIVITIES:

- Reviewed and discussed with the Company's Management and the Independent Auditors, the Consolidated Financial Statements for the financial year ended 31 March 2019. Reviewed the Management's representations to ensure that the Consolidated Financial Statements are prepared in accordance with Sri Lanka Financial Reporting Standards, truly and fairly present the results of operations and the financial position of the Company.
- Monitored the process of adopting the two new accounting standards SLFRS 15 and SLFRS 9 which were adopted during this financial year and discussed with Management and External Auditors the implications there on.

- Reviewed the procedures for identifying business risk and management of its impact on the Group.
- Reviewed the operational effectiveness of internal controls.
- Reviewed and discussed with the Management, the Annual and the Quarterly Financial Statements prior to their release, including the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007.
- Reviewed internal audit reports and findings of the External Auditor in support of the integrity of reported results.
- Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Group Chief Financial Officer submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Company was in compliance with mandatory statutory requirements.
- Reviewed and recommended to the Board non-audit services to be granted to the External Auditors.
- Recommended that Board Select KPMG Chartered Accountants as Independent Auditors to audit and report on the Annual Consolidated and the Company's Financial Statements.

EXTERNAL AUDITOR

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Sunshine Holdings PLC and its subsidiaries. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of The Institute of Chartered Accountants of Sri Lanka. The Committee also met the External Auditors without Management being present, prior to the finalisation of the Financial Statements.

The Committee is independent from External Auditors and Internal Auditors of the Company and the Group.

CONCLUSION

Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and the reported financial results present a true and fair view. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the Financial Statement is appropriate. The Audit Committee recommends to the Board of Directors that the Financial Statements as submitted be approved.



A D B Talwatte
Chairman
Audit Committee

30 May 2019