



Seri Maya



## Statement of Directors' Responsibilities



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the audited financial statements

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

The Directors consider that, in preparing the financial statements for the financial year ended 31 December 2002, the Group has used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors also consider that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of Malaysia.

Kenny Vale





Belimbing Heights



## Report of the Audit Committee

# REPORT OF THE AUDIT COMMITTEE

## Terms of Reference

The terms of reference of the Audit Committee are set out on pages 21 to 23.

## Memberships and Meetings

The Audit Committee comprises two independent non-executive Directors and one executive Director.

The composition of the Audit Committee is as listed below:-

- (a) Dato' Seri Khalid Ahmad bin Sulaiman, *Chairman, Senior Independent Non-Executive Director*
- (b) Dr. Abdul Samad bin Haji Alias, *Independent Non-Executive Director*
- (c) Lai Meng, *Executive Director*

The Audit Committee had four meetings during the year, which were attended by all members. The Heads of the Group's Finance and Internal Audit attended all meetings. The Group's external auditors and other members of senior management attended some of these meetings upon invitation by the Chairman of the Audit Committee.

## Summary of Activities

During the year, the Audit Committee carried out its duties as set out in the terms of reference. Other main issues reviewed and discussed by the Audit Committee were as follows:-

- (a) The risk management policy and framework adopted by the Group to identify and manage key business risks as well as to monitor the readiness and currency of risk mitigating measures;
- (b) The additional disclosure requirements in accordance with the Listing Requirements, MASB and other relevant legal and regulatory requirements; and
- (c) The Group's procedures in respect of recurrent related party transactions ('Recurrent Transactions') to satisfy itself that the procedures were sufficient to ensure that the Recurrent Transactions were not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders.

## Internal Audit Function

The Group has a well established Internal Audit Department, which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal control. The Audit Committee approves the internal audit plan prior to the commencement of the new financial year. The scope of Internal Audit covers the audits of all units and operations, including subsidiaries.

The Internal Audit Department has adopted a risk-based approach towards the planning and conduct of audits which is consistent with the Group's established framework in designing, implementing and monitoring of its control systems. The Group's established monitoring process and controls self-assessment approach is in alignment with the practice of generating an embedded risk management capability and acceptable risk culture within the organization.

The system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

# TERMS OF REFERENCE OF THE AUDIT COMMITTEE

## A. Membership

- The members of the Audit Committee shall be appointed by the Board of Directors upon the recommendations of the Nomination Committee and shall consist of not less than three members, a majority of whom shall be independent Directors. If membership for any reason falls below three members, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to fulfil the minimum requirement.
- The members of the Audit Committee shall elect a chairman from among their number who shall be an independent Director.
- No alternate Director shall be appointed as a member of the Audit Committee.
- At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or alternatively a person who must have at least three years of working experience and have passed the examinations specified in Part 1 of the 1st schedule of the Accountants Act 1967 or is a member of one of the associations specified in Part II of the said schedule.
- The Board shall review the terms of office of each of the Audit Committee at least once in three years.

## B. Objectives

The primary objectives of the Audit Committee are:

- ensure transparency, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders.
- provide assistance to the Board in discharging its responsibilities relating to the Group's management of principal risks, internal control, financial reporting and compliance of statutory and legal requirements.
- maintain through regularly scheduled meetings, a direct line of communication between the Board, senior management, internal auditors and external auditors.

## C. Meetings and Minutes

- Meetings shall be held not less than four times a year, and shall normally be attended by the Head of Finance and Head of Internal Audit. The presence of external auditors may be requested, if required. Other members of the Board may attend meetings upon the invitation of the Audit Committee. At least once a year, the Audit Committee shall meet with the external auditors without any executive Board members present.
- Unless otherwise determined by the Audit Committee members, three days' notice specifying the place, date and hour of the Audit Committee Meeting and the matters to be discussed thereat shall be given to all the Audit Committee members. The external auditors and the internal auditors may request a meeting by notifying the Company Secretary if they consider it necessary.
- The quorum for each meeting shall be two members present in person, of whom two must be independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.
- The Audit Committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman shall have a second or casting vote.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

- The Company Secretary shall be the Secretary of the Audit Committee.
- The Audit Committee shall cause minutes to be made of all proceedings at all meetings of the Audit Committee. The minutes of any meeting of the Audit Committee, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting, shall be receivable as prima facie evidence of the matters stated in such minutes. Minutes of each meeting shall be distributed to members of the Board. The Chairman of the Audit Committee shall report on each meeting to the Board.

### D. Authority

The Audit Committee have the following authority as empowered by the Board:

- (a) to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information and personnel pertaining to the Group;
- (d) have direct communication channels with the external and internal auditors; and
- (e) to obtain independent professional advice as necessary.

### E. Responsibilities and duties

In fulfilling its primary objectives, the Audit Committee shall undertake the following responsibilities and duties:

- Review and discuss with the external auditors of the following:
  - (a) the audit plan (including the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved), prior to the commencement of audit;
  - (b) their audit report;
  - (c) their evaluation of the system of internal control;
  - (d) problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary); and
  - (e) their management letter and management's response.
- Review the quarterly results and year end financial statements, prior to submission to the Board for approval, focusing particularly on:
  - (a) going concern assumptions;
  - (b) changes in or implementation of major accounting policy changes;
  - (c) major judgemental areas, significant and unusual events; and
  - (d) compliance with accounting standards, regulatory and other legal requirements.
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity, and to ensure that the Directors report such transactions annually to the shareholders vide the annual report.
- Review the following in respect of Internal Auditors:
  - (a) adequacy of the scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
  - (b) internal audit programme, processes and results of the internal audit programme, processes or investigation, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - (c) effectiveness of the system of internal control;
  - (d) major findings of internal audit investigations and management's response;

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

- (e) review any appraisal or assessment of the performance of the staff of the internal audit function;
  - (f) approve any appointment or termination of senior staff member of the internal audit function; and
  - (g) note resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation.
- Consider and recommend the nomination and appointment, the audit fee and any questions of resignation, dismissal or re-appointment of the external auditors.
  - Report promptly to the KLSE on any matter reported by it to the Board of Directors which has not been satisfactorily resolved resulting in the breach of the Listing Requirements.
  - Review all prospective financial information provided to the regulators and/or the public.
  - Prepare reports, if the circumstances arise or at least once a year, to the Board summarising the work performed in fulfilling the Audit Committee's primary responsibilities.
  - Act on any matters as may be directed by the Board.

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