

Corporate governance

The extent to which the principles of good corporate governance are implemented within the Group is set out below.

The Board of Directors

During the year the Board comprised the Chairman (non - executive), the Deputy Chairman and Managing Director, two Executive Directors and eight other Non Executive Directors. Their names and designations are given on the inner back cover and brief profiles are shown on page 17.

The Non Executive Directors have submitted to the Board their declarations of independence / non independence based on which, and other information available, the Directors have determined that four of the nine Non Executive Directors are Independent Directors, namely,

Mr. Jayantha Dhanapala,
Mr. E A D Perera and the following :

Mr. A T P Edirisinghe

- who has served on the Company's Board for a period in excess of nine years and
- is also a Director of Ceylon Theatres PLC (Company's Holding Company) which has a significant shareholding in the Company and

Mr. Sunil Mendis

- who is also a Director of Ceylon Theatres PLC.

whom, in spite of their service on the Company's Board for over nine years and / or being Directors in another Company which has a significant shareholding in the Company, the Board has nevertheless determined as in the previous year to be independent considering their credentials and integrity. Mr. Jayantha Dhanapala, independent non executive Director, was appointed to the Board on 1 June 2008.

It is confirmed that the Board consists of the correct number of Non - Executive Directors and Independent Non - Executive Directors as laid out in the Listing Rules on "Corporate Governance" of the Colombo Stock Exchange (CSE).

The Board is responsible for the overall strategic direction, policy formulation and control procedures. All capital expenditure require prior approval of the Board. The Deputy Chairman functions as the Chief Executive Officer (CEO).

Mr. M I Abdul Wahid was appointed to the Board in the capacity of Managing Director & Deputy CEO on 21 May 2010, and consequent to the appointment of Mr. M I Abdul Wahid as Managing Director & Deputy CEO, Mr. V R Page's role changed from 'Deputy Chairman & Managing Director' to 'Deputy Chairman and CEO'.

The Non Executive Directors, while not being involved in the day to day running of the Company, participate in the close review and monitoring of the operations of the Company. They are all business leaders in their own right, and comprise a strong and independent element of the Board and add a depth of knowledge and insight that is vital for the continued success of the Company. All plans and strategies proposed are examined and fully discussed at meetings of the Directors. The Board met 8 times during the financial year.

Vacancies in the Board of Directors are filled by a decision of the whole Board. All members appointed to the Board have been individuals of a high standing in society, experts in their chosen fields and individuals of the highest standard of integrity.

Remuneration Committee

The Remuneration Committee, the composition of which is in

conformity with the Rules of the CSE, comprise three Non - Executive Directors all of whom are independent. One among them has been appointed by the Board of Directors to function as the Chairman of the Committee.

The names and designations of the members of the Committee appear on the inner back cover.

The Committee recommends to the Board the remuneration payable to the Chief Executive Officer and the Executive Directors. In recommending an appropriate remuneration package the primary objective of the Committee is to attract and retain the services of highly qualified and experienced personnel. The Committee meets as and when necessary.

The aggregate remuneration paid to Executive and Non Executive Directors during the year is disclosed in note 32 of the financial statements appearing on page 55 of the Annual Report.

Audit Committee

The Audit Committee, the composition of which is in conformity with the rules of the CSE, comprised four Non Executive Directors of whom three are independent. Their names and designations appear on the inner back cover. A senior professionally qualified Accountant who is an Independent Non - Executive Director, has been appointed by the Board of Directors to function as the Chairman of the Committee.

The Audit Committee is empowered to review the activities and financial affairs of the Company and to monitor the internal control system and the effectiveness of the internal audit function of the Company.

The Audit Committee met three times during the year. As determined by the Audit Committee, the Chief Financial Officer and the Chief Internal Auditor attend the meetings of the Audit Committee and the Chief Executive Officer of the Company is invited to participate at the meetings of the Audit Committee as and when key issues are taken up for consideration.

Reports from the external auditors on their audit findings are referred to the Audit Committee providing an opportunity for impartial review of these reports. At the Audit Committee meetings held during the year, the Committee deliberated on the key internal financial affairs of the Company.

Code of ethics and best practices

The principles involved in the code of ethics and best practices for the Directors, although not formally published, have been internally adopted for several years. The administrative and personnel procedure manual of the Company sets out the ethical standards and practices to be followed by all employees.

Corporate Management Committee

The Corporate Management Committee is headed by the Deputy Chairman and Chief Executive Officer (CEO) of the Group. This committee comprise five Executive Directors of Cargills (Ceylon) PLC, two Executive Directors of subsidiaries and six Group Managers three of whom also function as Non - Executive Directors of subsidiary companies. The Corporate Management Committee meets on a monthly basis to review the performance of the various companies and to ensure that the overall corporate objectives are achieved.

The Chief Internal Auditor heads the Internal Audit Division, which functions independent of all operating units. This ensures an independent verification of the operation of the control systems within the Group.

