

Corporate governance

The disclosures below demonstrate the extent to which the principles of good corporate governance are complied with within the Group. Further to the above, the Board of Directors to the best of knowledge and belief is also satisfied that all statutory payments due to the Government, other regulatory institutions, and related to the employees, have been made on time.

Company's adherence to the Corporate Governance Rules as required by Section 7.10 of the Listing Rules of the Colombo Stock Exchange:

Corporate Governance Rule	Compliance Status	Details
7.10.1 Non-Executive Directors		
a) The board of directors of a Listed Entity shall include at least, (i) Two non-executive directors; or (ii) Such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.	Complied with	Company has eight non executive directors and four executive directors on its board.
b) The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied with	The composition of the Board remain unchanged all throughout.
c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Not applicable (N/A)	During the year no changes occurred to this ratio.
7.10.2 Independent Directors		
a) Where the constitution of the board of directors includes only two non-executive directors as mentioned above, both such non-executive directors shall be 'independent'. In all other instances two or 1/3 of non-executive directors appointed to the board of directors, whichever is higher shall be 'independent'	Complied with	One half of non executive directors determined to be independent.
b) The board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Complied with	Each non executive director has provided a signed and dated declaration of his/ her independence or non independence against the criteria laid down in the listing rules.
7.10.3 Disclosures Relating to Directors		
a) The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent.'	Complied with	One non executive director is an independent director as per the criteria set.
b) In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', The board shall specify the criteria not met and the basis for its determination in the annual report.	Complied with	Three other non executive directors are deemed independent by the Board and the criteria not met and the basis for such determination is set out in Note on page 16.
c) In addition to the disclosures relating to the Independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which Includes information on the nature of his/her expertise in relevant functional areas.	Complied with	Please refer profile of directors on page 6.
d) Upon appointment of a new director to its board, the Entity shall forthwith provide to the exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemized in paragraphs (a), (b) and (c) above.	Complied with	Mr. M I Abdul Wahid was appointed to the Board on 21 May 2010 and the required details were submitted to the exchange the same day.



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Corporate Governance Rule	Compliance Status	Details
<p>7.10.5 Remuneration Committee A Listed Entity shall have a remuneration committee in conformity with the following:</p> <p>(a) Composition The remuneration committee shall comprise;</p> <ul style="list-style-type: none"> (i) a minimum of two independent non-executive directors (in instances where an Entity has only two directors of on its board); or (ii) non-executive directors a majority of whom shall be independent, whichever shall be higher. <p>In a situation where both the parent company and the subsidiary are 'Listed Entities', the remuneration committee of the parent company may be permitted to function as the remuneration committee of the subsidiary.</p> <p>However, if the parent company is not a Listed Entity, then the remuneration committee of the parent company is not permitted to act as the remuneration committee of the subsidiary. The subsidiary shall have a separate remuneration committee.</p> <p>One non-executive director shall be appointed as Chairman of the committee by the board of directors.</p>	<p>Complied with</p> <p>Complied with</p> <p>N/A</p> <p>Complied with</p>	<p>The remuneration committee comprise three independent non executive directors and the details are given on the inner back cover.</p> <p>Kotmale Holdings PLC is a subsidiary of the Company and has its own remuneration committee.</p> <p>N/A</p> <p>Please refer inner back cover.</p>
<p>(b) Functions The remuneration committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.</p>	Complied with	The Committee recommends to the Board the remuneration payable to the Executive Directors and the Chief Executive Officer. 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.
<p>(c) Disclosures The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.</p> <p>The term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the Listed Entity (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund).</p>	Complied with	<p>Please refer inner back cover for the names of directors of the remuneration committee.</p> <p>Please refer the remuneration committee report on page 17 for a statement of the remuneration policy.</p> <p>Please refer Note 7 to the financial statements for the aggregate remuneration paid to the directors.</p>
<p>7.10.6 Audit Committee A Listed Entity shall have an audit committee in conformity with the following:</p> <p>(a) Composition The audit committee shall comprise;</p> <ul style="list-style-type: none"> (i) a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its board); or (ii) non-executive directors a majority of whom shall be independent, whichever shall be higher. 	Complied with	The audit committee comprise three independent non executive directors.



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Corporate Governance Rule	Compliance Status	Details
In a situation where both the parent company and the subsidiary are 'Listed Entities', the audit committee of the parent company may function as the audit committee of the subsidiary.	Complied with	Kotmale Holdings PLC is a subsidiary of the Company and has its own audit committee.
However, if the parent company is not a Listed Entity, then the audit committee of the parent company is not permitted to act as the audit committee of the subsidiary. The subsidiary should have a separate audit committee.	N/A	N/A
One non-executive director shall be appointed as Chairman of the committee by the board of directors.	Complied with	Please refer inner back cover.
Unless otherwise determined by the audit committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings.	Complied with	Please refer audit committee report on page 17.
The Chairman or one member of the committee should be a member of a recognized professional accounting body.	Complied with	The Chairman of the committee is a member of ICASL and CIMA (UK).
(b) Functions Shall include,		
(i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.	Complied with	Please refer audit committee report on page 17.
(ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Complied with	
(iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.	Complied with	
(iv) Assessment of the independence and performance of the Entity's external auditors.	Complied with	
(v) To make recommendation to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Complied with	
(c) Disclosures The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report.	Complied with	Please refer inner back cover.
The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.	Complied with	Please refer audit committee report on page 17.
The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	Complied with	Please refer audit committee report on page 17.



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Company's adherence to the Provisions of Rule 7.6 as required by the Listing Rules of the Colombo Stock Exchange on disclosure in Annual Reports of Listed Entities:

Corporate Governance Rule	Compliance Status	Details
A Listed Entity must include in its annual reports and accounts, inter alia:		
i) Names of persons who were Directors of the Entity during the financial year.	Complied with	Please refer inner back cover for the names of directors of the Company.
ii) Principal activities of the Entity and its subsidiaries during the year and any changes therein.	Complied with	Please refer Note 1.1 to the financial statements.
iii) The names and the number of shares held by the 20 largest holders of voting and nonvoting shares and the percentage of such shares held.	Complied with	Please refer Investor relations supplement on page 71.
iv) The public holding percentage.	Complied with	Please refer Investor relations supplement on page 71.
v) A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year.	Complied with	Please refer page 31.
vi) Information pertaining to material foreseeable risk factors of the Entity.	Complied with	Please refer report on Risk management on page 18 to 19.
vii) Details of material issues pertaining to employees and industrial relations of the Entity.	N/A	No material issues pertaining to employees and industrial relations
viii) Extents, locations, valuations and the number of buildings of the Entity's land holding and investment properties.	Complied with	Please refer page 69 Group real estate portfolio.
ix) Number of shares representing the Entity's stated capital.	Complied with	Please refer page 70 Investor relations supplement.
x) A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings in the specified categories.	Complied with	Please refer page 70 Investor relations supplement.
xi) The following ratios and market price information. EQUITY 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share Highest and lowest value recorded Value as at the end of financial year.	Complied with Complied with	Please refer page 68 Five year summary. Please refer page 71 Investor relations supplement.
DEBT (Only if listed) xii) Significant changes in the Entity's or its subsidiaries' fixed asset and the market value of land, if the value differs substantially from the book value.	N/A	N/A
xiii) If during the year the Entity has raised funds either through a public issue, Right issue, and private placement; a. A statement as to the manner in which the proceeds of such issue has been utilized. b. If any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and, c. Any material change in the use of funds raised through an issue of securities.	N/A	N/A



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Corporate Governance Rule	Compliance Status	Details
<p>xiv) The following information should be disclosed in respect of each employees share ownership or stock option scheme.</p> <ul style="list-style-type: none"> - Total number of shares allotted during the financial year - Price at which shares were allotted - Highest, lowest and closing price of the share recorded during the financial year - Details of funding granted to employees (if any) 	N/A	N/A
<p>xv) Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules.</p>	Complied with	Please refer page 12 to 14 for the disclosures in terms of Section 7.10.
<p>xvi) Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.</p> <p>Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.</p> <p>The details shall include, as a minimum:</p> <ol style="list-style-type: none"> a. The date of transaction; b. The name of the Related Party; c. The relationship between the Entity and the Related Party; d. The amount of the transaction and terms of the transaction; e. The rationale for entering into the transaction. 	Complied with	Please refer Note 20 and 35.

Note :

Based on the declarations provided by the non executive directors, the Board has decided the following directors as independent:

Mr. Jayantha Dhanapala, and

Mr. E A D Perera

- who has served on the Company's Board now for a period in excess of nine years and

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 C T Holdings PLC which has a significant shareholding in the Company, and

Mr. Sunil Mendis

- who is also a Director of C T Holdings PLC

who, 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 years to be independent considering their credentials and integrity.

