

Report of the Audit Committee

The Audit Committee is formally constituted as a Sub-committee of the Main Board, to which it is accountable and consists of four Non-Executive Directors, of whom three members are Independent Non-Executive Directors.

The Audit Committee has written terms of reference, dealing clearly with its authority & duties and is established for the purpose of assisting the Board in fulfilling their oversight responsibilities regarding the integrity of the Financial Statements, risk management, internal control and compliance with legal and regulatory requirements, review of external Auditors' performances & independence and internal audit function.

Compliance with Financial Reporting

The Group adopted the new Sri Lanka Accounting Standards that came into effect from 01st January 2012.

The Audit Committee considered the quarterly and annual Financial Statements and reviewed the Annual Report including the Financial Statements prior to publication.

The review included:

- Appropriateness and changes in Accounting Policies.
- Significant estimates and judgment made by the management.
- Compliance with relevant Accounting Standards and applicable regulatory requirements.
- Adequacy of impairment provision against assets.
- Issues arising from the Internal and External audit.

Risk Management

The Audit Committee meets the Internal Auditors on a quarterly basis and reviews their findings in order to identify effectiveness of internal controls and risks attached to different areas of operations.

Compliance with Laws and Regulations

The Audit Committee reviewed the reports submitted by the management and Internal Auditors on the state of compliance with applicable laws and regulations and settlement of statutory payments.

Internal Controls

The Committee is satisfied that an effective system of internal control is in place to provide reasonable assurance on safeguarding of the Company's assets and reliability of Financial Statements. Effectiveness of Company's system of Internal Controls is evaluated through reports provided by Management, Internal Auditors and External Auditors.

Internal Auditors

The internal audit function is headed by the Group Internal Auditors. The Internal Audit field work and reporting is outsourced to Messrs SJMS Associates, a firm of Chartered Accountants. Internal auditors directly submitted their findings to Audit Committee quarterly and their reports are made available to External Auditors.

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The Audit Committee monitors and reviews:

- The coverage of the annual audit plan.
- The follow-up action taken on the recommendation of the Internal Auditors.
- The internal audit programmes and results of the internal audit process.
- Effectiveness of the internal audit function.

Independent Auditors

The Audit Committee reviewed the independence and objectivity of the External Auditors Messrs KPMG, Chartered Accountants. The Audit Committee has met with the External Auditors to review the annual audit plan and Financial Statements during the annual audit.

The Committee has received a declaration from the External Auditors, confirming that they do not have any relationship or interest in the Company or its subsidiaries as required by the Companies Act No. 07 of 2007.

The Committee reviewed the non-audit services and its impact on the independence of the External Auditors.

The Audit Committee has approved the extension of period of engagement External Auditors, by one year, and recommended to the Board their reappointment.

Meetings of Audit Committee

Four Audit Committee meetings were held during the year ended 31st March 2013. The attendance details are given in page 62. The Internal Auditors attend the meetings quarterly.

Conclusion

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group and of the implementation of the Group's accounting policies and operational controls provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that the Group assets are properly accounted for and adequately safeguarded.



R. Seevaratnam

Chairman - Audit Committee

Colombo
21st May 2013