

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is formally constituted as a Subcommittee of the Main Board, to which it is accountable and it is wholly consisted with four Non-Executive Directors and three of them are independent.

The Audit Committee has a written terms of reference, dealing clearly with its authority and duties and according to that 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 Auditor's performances, independence and internal audit function.

The followings are the principal activities carried out by the Audit Committee during the year ended 31st March 2009.

Compliance with Financial Reporting

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

The review included:

- Any changes in Accounting Policies.
- Compliance with Accounting Standards.
- Adequacy of provisions against possible losses.
- Material changes arising from the audit.

Risk Management

The Audit Committee meets the Internal Auditors on a quarterly basis and review their findings in order to identify effectiveness of internal controls and risks attached to different areas of operations. The Committee also reviews different types of risks attached to the Company's business and its operations during its deliberations, with view to taking appropriate action.

Compliance with Laws and Statutory Payments

The Audit Committee was submitted reports by the management and Internal Auditors on the states of compliance with laws, filing of statutory returns and making of statutory payments.

Internal Controls

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

Internal Auditors

The internal audit function is outsourced to Messrs SJMS Associates, a firm of Chartered Accountants which represents Messrs Deloitte Touche Tohmatsu in Sri Lanka. Internal auditors directly submitted their findings to Audit Committee quarterly and their reports are made available to External Auditors.

The Audit Committee monitors and reviews:

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

External Auditors

The Audit Committee reviews the independence and objectivity of the External Auditors Messrs KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants by conducting a formal review of the effectiveness of external audit process. The Audit Committee has met with the External Auditors to review the 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. 7 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 current External Auditors, by one year, and recommended to the Board the reappointment.

Meetings of Audit Committee

Three meetings were held during the year ended 31st March 2009. The meeting dates and attendance details are given in page 90. 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
22nd May 2009