

CORPORATE GOVERNANCE

Chairman's Message

Dimo philosophy perceives good governance as an uncompromising pursuit that provides assurance and comfort for growth in a sustainable manner; not as a set of controls that stifles growth. A healthy balance between value creation and resource utilisation (performance) and accountability and assurance (conformance) is the guiding principle of the accountability framework of the Company. I consider it my fervent duty to ensure that performance and conformance go hand in hand and the stakeholder expectations on these two dimensions are delivered.

The Board of Directors and the Group Management Committee proudly uphold the governance philosophy of the Company. They are conscious of the responsibilities placed on them by the stakeholders. The heritage of Dimo of being a mature corporate, creates a culture of accountability across all employees of the Company. How we create our stakeholder wealth matters to us, as much as how much we create.

The Code of Best Practices of Corporate Governance jointly issued by The Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission serves well as a guideline to formalise our philosophy. The Corporate Governance Report that follows presents a detailed account of how the Company has institutionalised the recommendations of the code. I trust this Report will assist the readers in understanding the Dimo way of corporate governance.

As Chairman, I am duty bound to facilitate effective discharge of the responsibilities of the Board. Towards meeting this end, I make every endeavour to ensure that the Board meetings are conducted in a manner that encourages effective participation. I am thankful to the members of the Board for the important contribution they make to govern our Company.

As a Company, we are committed to upholding Dimo ethics uncompromisingly. As required by Section D.4.2, I confirm that I am not aware of any material violation of the Code of Business Conduct and Ethics of the Company.

Yours Sincerely,



A.R. Pandithage

Chairman

Colombo
3rd June 2011

**Senior Independent Directors'
Statement**

'Code of Best Practice on Corporate Governance' (The Code) issued jointly by the Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka recommends that a Senior Independent Director be appointed in the event of the Chairman and CEO being one and the same person.

The presence of a SID provides a workable mechanism to review the role played by the Chief Executive Officer. Whilst the role of the Chairman entails providing leadership in observing best practices of corporate governance, my role as the SID calls for a review of the Board's effectiveness. The presence of the SID also adds emphasis to transparency in matters relating to governance.

Dimo is committed to principles of good governance and always strives to live by the Best Practices of Corporate Governance. The governance culture of the Company is strongly embraced by the Board of Directors. The Company follows a policy of strict compliance with laws, regulatory requirements and the Code of Ethics.

A Director is permitted to obtain independent professional advice that may be required in discharging his responsibilities, at the Company's expense.

As the SID, which role I have played since May 2009, I am consulted by the Chairman on major strategic and governance issues. As the SID, I make myself available to any Director to have any confidential discussions on the affairs of the Company, should the need arise. By virtue of being the Chairman of the Audit Committee, I also meet independent auditors and Internal Auditors and obtain their views on any matters of concern.



R. Seevaratnam

Senior Independent Director

Colombo
3rd June 2011

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Corporate Philosophy on Governance

The governance practices of the Company are conceived out of the corporate philosophy of achieving sustainable growth through good governance. Whilst, being fully-compliant with demands of the laws and regulations the Company recognises that best practices provide a robust framework for sustainable growth and meeting stakeholder expectations. The Board perceives good governance as an uncompromising pursuit that provides the basis for growth in a sustainable manner; not as a set of controls that stifles growth. The disclosures that follow in this section, demonstrates the intensity at which principles of corporate governance are embraced.

Effective governance requires that governance policies, structures and processes are in place and are directed towards accountability, control and assurance (conformance), and value creation through formulation and implementation of a sound corporate strategy (performance). These two components together i.e., conformance and performance, form the accountability framework of the organisation.

Responsibility

The ultimate responsibility towards good governance rests with the Board of Directors. In order to achieve the Board's objectives it has placed a governance structure and a process in place, and implements and monitors its effectiveness through Board Committees. The Company is committed to the highest standards of corporate and business ethics. In this regard, the organisation has clear lines of responsibility and accountability within the entire Group.

Integrating Values with Performance

The sustenance of corporate governance principles is facilitated by aligning, values and business ethics into its value adding process, and making a conscious effort to continually improve the governance framework and processes. Corporate Governance requires high levels of commitment across the organisation and it is essential that an enabling governance culture is created. This envisages creation of awareness at all levels. All employees are expected to respect corporate values in achieving their own objectives and in achieving the objectives of the Company. Performance is not encouraged at the cost of business principles and values. The Company leadership recognises the role played by Corporate Governance in Sustainability. Respecting the governance structure, understanding the importance of good governance, transparency, good conduct, sustainability, conformance to laws and regulations are some key values that fall within the governance culture. Performance, conformance, ethics, accountability, sustainability and risk management provide the building blocks of Company strategy.

Legislation and Regulation

There are many legislative enactments and regulations that lay down the laws and rules within which a company should operate. It is imperative that the Company operates strictly within these laws and regulations. However, the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange (Listing Rules) mandates many aspects in relation to corporate governance. The Articles of Association provides the internal regulations with regard to Governing the Company. Whilst, the Company strictly follows all provisions prescribed by the above, its Corporate Governance practices are guided by the 'Code of Best Practice on Corporate Governance' issued jointly by The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (The Code). The table spanning from pages 88 to 113 provide the extent to which the Company has complied with the requirements of The Code. The table appearing on pages 114 to 116 provide the level of compliance against the Corporate Governance measures mandated by the Listing Rules.

Obligations Towards Stakeholders

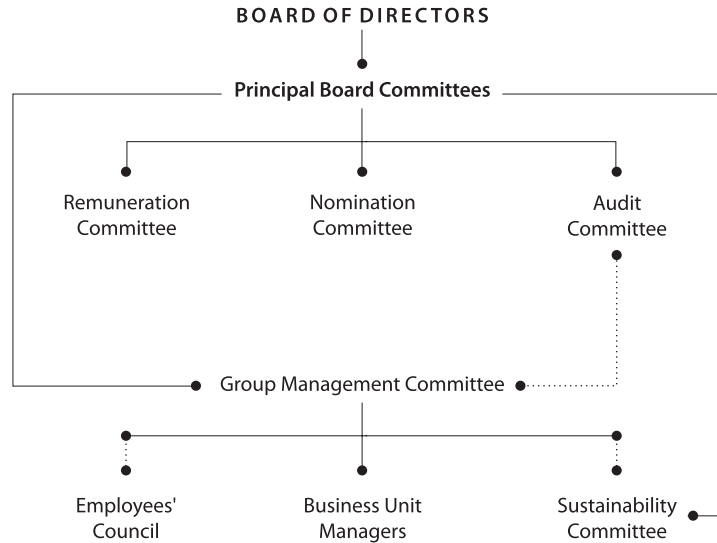
The Company's Quality Management System (QMS) and the Environmental Management System (EMS) provide a platform for engaging stakeholders with a view to discharging the Corporate Responsibility towards them. The GRI Index on page 223 to 231 provide the extent to which the Company has fulfilled its responsibility towards its stakeholders.

Governance Model The governance model of the Company given below depicts the framework that is in place to ensure good governance, the structure that implements and facilitates governance and the assurance initiatives, during which some aspects of governance gets reviewed.

REGULATION FRAMEWORK

- EXTERNAL REGULATION**
- Code of best practice on corporate governance issued jointly by SEC and ICASL
 - Corporate governance rules published by the CSE
 - Companies Act No. 07 of 2007
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- INTERNAL REGULATION**
- Articles of Association
 - Code of Ethic and Conduct
 - GRI guidelines on sustainability
 - Environment Management System (EMS)
 - Quality Management System (QMS)

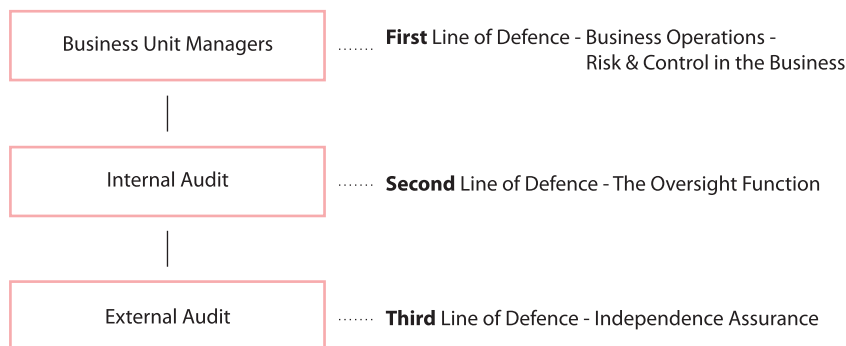
GOVERNANCE STRUCTURE



ASSURANCE

- External Audit
 - Internal Audit
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- INDEPENDENT CERTIFICATION**
- EMS Audit & Certification
 - QMS Audit & Certification
 - Independent Assurance on the Non-Financial Reporting

LINE OF DEFENCE WITHIN GOVERNANCE FRAMEWORK



Compliance with the Code —○

SECTION 1: THE COMPANY

A. Directors

A.1 The Board

Main Principle:

Every public company should be headed by an effective Board, which should direct, lead and control the Company.

Code Reference	Requirement of the Code	Compliance with the Code
A.1.1	The Board should meet regularly, at least once in every quarter	The Board members meet regularly in accordance with a preagreed plan, which includes at least a quarterly meeting, and additionally, as and when there are pressing corporate or commercial matters to be considered or decided upon. The Board met 7 times during the financial year. The dates of the Board meetings during the year are given on table 113 . Average attendance at Board meetings was 94%.
A.1.2	Board should be responsible for matters including: Ensuring the formulation and implementation of a sound business strategy	The Board provides stewardship, vision and strategic direction to the Group and fosters a culture of integrity, transparency and accountability across the Group. A review of business, marketing and financial and other strategies and their implementation takes place during the Board meetings. The Board also meets the Group Management Committee at least once a year and discusses and provides direction on matters relating to strategy formulation. The Board approves all appointments to the Group Management Committee (GMC), which consists of the senior management. The Board takes into consideration the skills and experience of the members prior to their appointments in order to ensure the members suitability to hold the position in the GMC as well as his regular position in the managerial capacity of the Company.
	Ensuring that the CEO and the Management Team possess the skills, experience, and knowledge to implement strategy	One of the Board's responsibilities is to monitor the effectiveness of management policies and decisions, including the execution of its strategies. The Board ensures that the Chairman/ Chief Executive Officer and the Management Team possess the skills to implement the overall strategy. A brief resumé of Directors, including the Directors who offer themselves for re-election is available on pages 122 to 125. The Directors are from diverse backgrounds and bring to bear a wide range of experience and competencies that facilitates the effective discharging of its responsibilities.
	Ensuring the adoption of an effective CEO and senior management succession strategy	Succession planning is given due recognition in the corporate culture. Effective succession planning is a criterion in the performance appraisals of the senior management. The Board with the assistance of the Nomination Committee reviews succession plans available for the senior management.

Code Reference	Requirement of the Code	Compliance with the Code
	Ensuring effective systems to secure integrity of information, internal controls and risk management	<p>Measures taken towards an effective internal control system is given under D.2.1</p> <p>Risk management framework is given in the Risk Management Report appearing from pages 128 to 137.</p> <p>The Board monitors and evaluates risks and performance, approves all important investment decisions and is also responsible for the installation of sound internal financial controls.</p>
	Ensuring compliance with laws, regulations and ethical standards	The Board follows a policy of strict compliance with laws and regulatory requirements and ensures that stakeholder interests are considered in key corporate decisions.
	Ensuring all stakeholder interests are considered in corporate decisions	<p>In addition to fulfilling its obligations for increased stakeholder value, the Board has responsibility to DIMO's customers, employees, suppliers and to the communities where it operates - all of whom are essential to a successful business. The Board relies on the integrity and due diligence of Senior Management, Auditors and advisors to oversee the Group's overall performance objectives, financial plans and annual budget, major investments, divestment and funding proposals, financial performance reviews, risk management and corporate governance practices.</p>
	Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	<p>'Never compromise on DIMO Ethics' is part of the Company's statement of values. A document containing the Company Values and Ethics is given to all employees. Whilst the Code of Ethics demands strict compliance, the Internal Auditors are expected to report to the Audit Committee on any non-compliance with laws and/or Ethics.</p> <p>The Statement of Directors' Responsibilities for the Financial Statements is available on page 151.</p> <p>The Chairman/MD/CEO's and Chief Financial Officer's Responsibility statement is available on page 117.</p>
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned	The size and the scale of the organisation demands expertise in diverse areas of business at the level of Board of Directors. The Directors bring on Board a wide range of skills, knowledge and experience. Expertise in Finance, Engineering, Law and Marketing is available in the present Board.

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Code Reference	Requirement of the Code	Compliance with the Code
A.1.3	The Board collectively, and Directors individually, must act in accordance with the laws of the country and there should be a procedure agreed by the Board of Directors, to obtain independent professional advice where necessary, at the Company's expense.	<p>The Board is responsible for determining that the Company is managed in such a way that stakeholder interests receive its due place, while adhering to the laws of the jurisdictions, within which it operates, and observing high ethical standards. This is an active, not a passive responsibility.</p> <p>Any Director may obtain independent professional advice that may be required in discharging his/her responsibilities effectively, at Company's expense.</p>
A.1.4	All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring, that the Board procedures are followed and that they applicable rules and regulations are complied with. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.	<p>The Company Secretary assists the Chairman in all aspects pertaining to the function of Board of Directors. He helps in arranging Board meetings and in making available all necessary information to the Board for their deliberations. Mr. B.C.S.A.P. Gooneratne, who is also an Executive Director, functions as the Company Secretary.</p> <p>Members of the Board have unrestricted access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary rests with the Board.</p>
A.1.5	All Directors should bring independent judgment to bear on issues of strategy, performance, resources (including key appointments), and standards of business conduct.	<p>The Chairman plays a key role in ensuring views of all Directors are sought during Board meetings in order to bring each Director's independent judgment to bear upon on matters relating to strategy, performance, resources and business conduct.</p> <p>The Directors individually and collectively are committed to conducting themselves, upholding the values of fair and good business practices ensuring confidentiality, fair dealing and compliance with laws & regulations.</p>
A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. It must be recognised that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business changes, operations, risks and controls.	<p>The Chairman, Non-Executive and Executive Directors are committed to discharging their duties as Directors of the Company and ensure that adequate time and attention is given to make their contribution effective. The Non-Executive Directors may have follow up meetings with the Chairman, Executive Directors or members of the Group Management Committee to follow up on matters discussed at Board Meetings and provide their expertise.</p> <p>The Board papers and the agenda are received by the Directors, ahead of Board Meetings, enabling the Directors to review the papers and obtain clarifications ahead of the meetings. The papers contain financial and non-financial information. The regular Board papers include Financial Statements, narratives on variances, working capital-related reports, reports on compliance with statutory requirements, capital expenditure reports, staff appointments, bank facilities and utilization and any other report as required.</p>

A.1.7 Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. Training curricula should encompass both general aspects of directorship and matters specific to the particular industry/company concerned. A Director must recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform his duties as a Director.

The Directors are given the opportunity to familiarise and obtain an in-depth understanding of the Company's business, its strategy, risks and processes, at their discretion.

Training is provided to Executive Directors to equip themselves to discharge their responsibilities effectively. This includes training provided by principals, external and in-house training.

Directors are briefed on changes in laws and regulations, tax laws and accounting standards from time to time either during Board meetings or at specially-convened sessions.

A.2 Chairman and Chief Executive Officer (CEO)

Main Principle:

There are two key tasks at the top of every public company - conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

Code Reference	Requirement of the Code	Compliance with the Code
A.2.1	A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.	<p>The functions of the Chairman and Chief Executive Officer (CEO) are vested in the same person, who is also designated the Managing Director (MD). The Board of Directors is of the firm belief that the existing arrangement has worked out to be economically beneficial to shareholders so as to not warrant any change and that the dual role performed by the Chairman and CEO does not compromise the principles of good corporate governance. This is further ensured by the significant presence of Non-Executive and Independent Directors including a Senior Independent Director on the Board.</p> <p>The presence and involvement of the Senior Independent Director and other Independent Directors ensure that no single individual has unfettered powers of decision-making and provides the basis for prevalence of independent judgment over standards of business conduct. The presence of a Senior Independent Director adds more emphasis to transparency in governance affairs.</p> <p>The Audit, Nomination and Remuneration Committees are headed by Non-Executive Independent Directors.</p> <p>The composition of the above Board Committees are given on page 113.</p> <p>The performance of Chairman/MD and CEO's is reviewed by the Non-Executive Directors headed by Senior Independent Director.</p>

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A.3. Chairman’s Role

Main Principle:

The Chairman’s role in preserving Good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.

Code Reference	Requirement of the Code	Compliance with the Code
A.3.1	<p>The Chairman should conduct Board proceedings in a proper manner and ensure, <i>inter-alia</i>, that:</p> <ul style="list-style-type: none"> • The effective participation of both Executive and Non-Executive Directors is secured; • All Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company; • A balance of power between Executive and Non-Executive Directors is maintained; • The views of Directors on issues under consideration are ascertained; and • The Board is in complete control of the Company’s affairs and alert to its obligations to all shareholders and other stakeholders. 	<p>Board meetings are conducted in an atmosphere that encourages, healthy debate by all members of the Board. The Chairman ensures that there is effective participation from all Directors, that their individual contribution and concerns are objectively assessed prior to making key decisions.</p> <p>The Chairman ensures that every Non-Executive Director and Executive Director is provided with an opportunity to present his view on matters discussed and both Executive and Non-Executive Directors have opportunities for effective participation. He also ensures that the Board is in complete control of the Company’s affairs and that decisions made by the Board are implemented.</p> <p>Board members are free to suggest the inclusion of items on the agenda of Board meetings and carry out their duties in the interest of the Company without any undue influence from other parties.</p> <p>The Board members are encouraged to take advantage of a variety of expertise available in the Board, in the areas such as finance, marketing, law and engineering in making decisions for the benefit of the Company.</p> <p>The Chairman and the Senior Independent Director satisfy themselves that the information available to the Board is sufficient to make an informed assessment of the Company’s affairs as well as to discharge their duties to all stakeholders.</p>

A.4 Financial Acumen

Main Principle:

The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.

Code Reference	Requirement of the Code	Compliance with the Code
A.4	<p>Availability of sufficient financial acumen and knowledge.</p>	<p>The Board enjoys services of three qualified accountants who provide the requisite financial acumen and knowledge on matters of finance. In addition, the Audit Committee has the services of another qualified accountant who serves as an independent consultant.</p>

A.5 Board Balance

Main Principle:

It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.

Code Reference	Requirement of the Code	Compliance with the Code
A.5.1	The Board should include Non-Executive Directors of sufficient caliber and number for their views to carry significant weight in the Board's decisions. The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one-third of total number of Directors, whichever is higher. In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board.	<p>The composition of the Board of Directors meets the number of Non-Executive Directors required by this Code and the Listing Rules of the Colombo Stock Exchange. The brief resumé of Directors provided on pages 122 to 125 bears testimony to the caliber of the Non-Executive Directors, whose views significantly influence the decisions made by the Board.</p> <p>Four out of eleven Directors are Non- Executive Directors.</p> <p>There was no change in the number of Directors or in their status as Non-Executive or Independent Directors, during the period under review.</p>
A.5.2	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be 'independent'. In all other instances two or one third of Non-Executive Directors appointed to the Board of Directors, whichever is higher should be 'independent'.	<p>Three out of the four Non-Executive Directors are 'independent', based on the criteria set by this Code and the Listing Rules of the Colombo Stock Exchange.</p> <p>The names of the Independent Non-Executive Directors are disclosed on page 113 of the Annual Report.</p>
A.5.3	For a Director to be deemed independent such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.	<p>When determining the independence of Non-Executive Directors the Board takes into accounts the factors set out in this section.</p> <p>The Nomination Committee also reviews the independence of Directors including actual, potential or perceived conflicts of interest.</p> <p>The Company maintains the 'Interest Register' required by the Companies Act No. 07 of 2007, which also shows details of Directors' interests in Contracts/Company.</p> <p>A disclosure on related party transactions is available on page 195.</p>
A.5.4	Each Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria set out in the Specimen in Schedule H.	The Non-Executive Directors submitted the requisite declaration, which was used for determining the independence of the Independent Directors.

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Code Reference	Requirement of the Code	Compliance with the Code
A.5.5	The Board should make a determination annually as to the independence or non-independence of each non-executive Director based on such a declaration made of decided criteria and other information available to the Board, and should set out in the Annual Report the names of Directors determined to be 'independent'. The Board should specify the criteria not met and the basis for its determination in the Annual Report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary.	The Board has made an annual determination as to the independence or non-independence of each Non-Executive Director based on a declaration made by the Non-Executive Directors and as per criteria set out by the Colombo Stock Exchange Listing Rules. Based on the determination 1. Mr. R. Seevaratnam, 2. Dr. H. Cabral, and 3. Prof. U Liyanage are considered to be Independent Non-Executive Directors.
A.5.6	In the event, the Chairman and CEO is the same person, the Board should appoint one of the Independent Non-Executive Directors to be the 'Senior Independent Director' (SID) and disclose this appointment in the Annual Report.	Mr. R. Seevaratnam, an Independent Non-Executive Director, functions as the Senior Independent Director. The Senior Independent Director presides at Board Meetings in the absence of the Chairman.
A.5.7	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	The Senior Independent Director is available for confidential discussions, should there be any concerns regarding governance or issues that may adversely affect the Company, inadequately addressed by the Board.
A.5.8	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	Chairman meets with Non-Executive Directors, without the Executive Directors and discusses issues pertaining to functioning of the Company. In addition, the Chairman consults the Independent Directors to obtain their views on matters of importance, as and when a need arises.
A.5.9	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	The Board Minutes are prepared by the Company Secretary. In the event of a matter not being unanimously adopted at a Board Meeting, the concerns expressed at such situations are recorded in the meeting minutes. Minutes of the Board meeting are circulated to all Directors and adopted at the subsequent Board meeting.

A.6 Supply of Information

Main Principle:

The Board should be provided with timely information in a form and of a quality appropriate to enable it discharge its duties.

Code Reference	Requirement of the Code	Compliance with the Code
A.6.1	Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	<p>A sophisticated management information system is in place and it provides relevant and current information. All Board Members including Non-Executive Directors receive information on the operations and performance of the Company on a monthly basis. This routine helps eliminate information asymmetry between executive Directors and Non-Executive Directors.</p> <p>The Chairman ensures that the background is set for discussions at Board meetings by introducing the subject of discussion, if the Board members were not previously aware of the matter at hand.</p>
A.6.2	The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven (7) days before the meeting, to facilitate its effective conduct.	The Directors are provided with comprehensive data on financial and non-financial information prior to Board meetings in addition to the agenda of the meeting and the minutes of the previous meeting. Additional information may be requested by any member of the Board as and when required. Directors may also seek any information from the management team on matters discussed at Board meetings that requires follow up.

A.7 Appointments to the Board

Main Principle:

There should be a formal and transparent procedure for the appointment of new Directors to the Board.

Code Reference	Requirement of the Code	Compliance with the Code
A.7.1	<p>A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. Terms of Reference for Nomination Committees are set out in Schedule A of the Code.</p> <p>The Chairman and members of the Nomination Committee should be identified in the Annual Report.</p>	<p>The Board appoints the Directors based on the recommendations of the Nomination Committee. Nominations to the Boards of subsidiary companies and appointments to the Group Management Committee are also made based on the recommendations of the Nomination Committee.</p> <p>The Committee's main role is to nominate suitable candidates as and when vacancies occur on the Board. The Committee is responsible for succession planning at Board and Senior Management level and in ensuring smooth management transitions. It reviews the size and structure of the Board on a continuing basis and constantly reviews the balance of skills, knowledge and experience of the Board of Directors.</p>

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Code Reference	Requirement of the Code	Compliance with the Code
A.7.2	<p>The Nomination Committee or in the absence of a Nomination Committee, the Board as a whole should annually assess board-composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new board appointments are considered and when incumbent directors come up for re-election.</p>	<p>Appointments to the Board are made further to careful scrutiny of the required level and range of skills, knowledge, expertise and desired independence. The Committee consults the views of the Chairman/ CEO, who is also a member of the Nomination Committee, on matters of succession at senior management level.</p> <p>The Committee is entitled to obtain professional advice at the Company's expense.</p> <p>The Committee has specific terms of reference defining its scope and authority.</p>
A.7.3	<p>Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders:</p> <ol style="list-style-type: none"> A brief resume of the Director; The nature of his expertise in relevant functional area; The names of companies in which the Director holds Directorship or Membership in Board Committees; and Whether such Director can be considered 'independent'. 	<p>There were no new appointments to the Board of Directors during the year under review. However, new appointments to the Board, if any, are made known to the public through the Colombo Stock Exchange, in compliance with this section of the code.</p>

A.8 Re-Election

Main Principle:

All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.

Code Reference	Requirement of the Code	Compliance with the Code
A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their reappointment should not be automatic.	In terms of the Articles of Association, one third of the Directors, except for the Managing Director, retire in rotation and may offer themselves for re-election at the AGM. By virtue of being the Managing Director, the Chairman/CEO is not required to make himself available for re-election as per the articles.
A.8.2	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. The names of Directors submitted for election or re-election should be accompanied by a resume minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.	<p>The Company's Articles of Association provides that any Director appointed by the Board to hold office until the next Annual General Meeting (AGM), may seek reappointment by the shareholders at the said AGM.</p> <p>Based on the Articles and the current composition of the Board, a Director has to come forward for re-election, every three years.</p> <p>A resume of the Directors coming up for re-election at the AGM - 2011 is available on pages 122 to 125.</p>

A.9 Appraisal of Board Performance

Main Principle:

Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.

Code Reference	Requirement of the Code	Compliance with the Code
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities as set out in A.1.2.	The effectiveness of the Board is vital to the success of the Group. The Board undertakes a process that appraises its performance in discharging its key responsibilities set out earlier in this Report.
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees.	The methodology of evaluation involves each Board member completing a checklist and providing a rating on each item covered in the checklist involving areas of appraisal.
A.9.3	The Board should state how such performance evaluations have been conducted, in the Annual Report.	<p>The appraisal covers areas such as -</p> <ul style="list-style-type: none"> ● its contribution towards developing, implementing and monitoring of strategy, ● communication with stakeholders, ● processes involving the Board, ● review of its own performance evaluation process; and ● other areas related to discharging its responsibilities.

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A.10 Disclosure of Information in respect of Directors

Main Principle:

Shareholders should be kept advised of relevant details in respect of Directors.

Code Reference	Requirement of the Code	Compliance with the Code
A.10.1	The Annual Report of the Company should set out the following information in relation to each Director: Name, qualifications and brief profile;	Available on pages 122 to 125 Overview of Board of Directors.
	The nature of his/her expertise in relevant functional areas;	Available on pages 122 to 125 Overview of Board of Directors.
	Immediate family and/or material business relationships with other Directors of the Company;	Mr. A.R. Pandithage, Mr. A.G. Pandithage and Mr. A.M. Pandithage fall within the definition of 'close family members' of the Code.
	Names of listed companies in Sri Lanka in which the Director concerned serves as a Director;	Available on pages 122 to 125 Overview of Board of Directors and on page 149 Annex to the Annual Report of the Board of Directors.
	Names of other companies in which the Director concerned serves as a Director, provided that where he/she holds directorships in companies within a Group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he/she holds other directorships in such companies;	Available on pages 122 to 125 Overview of Board of Directors.
	Number/percentage of Board meetings of the Company attended during the year;	Available on page 113.
	Names of Board Committees in which the Director serves as Chairman or a member; and	Available on page 113.
	Number/percentage of Committee meetings attended during the year.	Available on page 113.

A.11 Appraisal of Chief Executive Officer

Main Principle:

The Board should be required, at least annually, to assess the performance of the CEO.

Code Reference	Requirement of the Code	Compliance with the Code
A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	At the commencement of every financial year, the Board in consultation with the Chairman/CEO and Executive Directors agree on the financial and non-financial targets, based on which the performance of Chairman/CEO and Executive Directors are evaluated.
A.11.2	The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.	Whilst the performance evaluation of the Chairman/Managing Director/Chief Executive Officer is done by the Non-Executive Directors led by the Senior Independent Director, the performance appraisal of Executive Directors will be carried out by the Non-Executive Directors in consultation with the Chairman/MD/CEO.

B. Directors' Remuneration

B.1 Remuneration Procedure

Main Principle:

Companies should establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.

Code Reference	Requirement of the Code	Compliance with the Code
B.1.1	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating Executive Directors. (These also include Post-Employment Benefits as well as Terminal Benefits.) Terms of Reference for Remuneration Committees are set out in Schedule C.	<p>The Remuneration Committee is responsible for determining the framework and policy on remuneration of the Chairman/Chief Executive Officer, Deputy Chief Executive Officer, Executive Directors and Senior Management. The remuneration of the Chairman/MD/CEO and the Deputy CEO are decided based on the recommendations made by the Remuneration Committee.</p> <p>The Board of Directors appoints members to the Remuneration Committee.</p> <p>The Board of Directors has set the terms of reference of the Remuneration Committee.</p> <p>Attendance details of the members at Remuneration Committee meeting is disclosed in the table appearing on page 113.</p> <p>The report of the Remuneration Committee is available on page 120.</p>

CORPORATE GOVERNANCE

Code Reference	Requirement of the Code	Compliance with the Code
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman, who should be appointed by the Board.	The Chairman of the Remuneration Committee, who is appointed by the Board, is an Independent Non-Executive Director. The present Committee consists of three Independent Non-Executive Directors and one Non-Executive Director. The Chairman of the Remuneration Committee is Prof. U. Liyanage, an Independent Non-Executive Director. The composition of the Remuneration Committee meets the requirements of the CSE Listing Rules.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each Year.	Names of the members of the Remuneration Committee are available on page 113.
B.1.4	The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a Sub-Committee of the Board, which might include the CEO.	The Board of Directors determines the Remuneration of Non-Executive Directors. The Non-Executive Directors do not participate in any discussion that involves fixing their remuneration.
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities.	The remuneration of the Executive Directors is recommended by the Remuneration Committee in consultation with the Chairman/CEO. No Director is involved in deciding his own remuneration. The Committee is entitled to obtain professional advice at the Company's expense in discharging their responsibilities.

B.2 The level & make up of Remuneration**Main Principle:**

Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.

Code Reference	Requirement of the Code	Compliance with the Code
B.2.1	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	The Company's remuneration policy aims to attract and retain high calibre executives by ensuring that their rewards are competitive and linked to both individual and business performance. Whilst recognising the market demands and the contribution of the Executives to the overall performance, the Company believes that the remuneration policy should at the same time be in congruence with shareholder interests.

Code Reference	Requirement of the Code	Compliance with the Code
B.2.2	<p>The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.</p>	<p>The Remuneration Committee in deciding the remuneration of the Directors takes into consideration the level of remuneration paid by the other comparable companies. By linking the remuneration levels to business and individual performance, the Committee ensures that any increase in the variable part of the remuneration corresponds to better performance.</p> <p>When required, the Remuneration Committee uses remuneration surveys to ascertain market levels of remuneration.</p>
B.2.3	<p>The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining annual salary increases.</p>	<p>Same criteria and measures adopted in B.2.2 formula are used for determination of remuneration of the senior management team, across the Group.</p>
B.2.4	<p>The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.</p>	<p>Remuneration of Executive Directors consists of a fixed element as well as a variable element.</p> <p>The variable part (incentive scheme) is based on the performance of the individual as well as the Company.</p>
B.2.5	<p>Executive share options should not be offered at a discount (i.e., less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Stock Exchange.</p>	<p>There was no share option scheme in operation during the year under review.</p>
B.2.6	<p>In designing schemes of performance-related remuneration, Remuneration Committees should follow the provisions set out in Schedule D.</p>	<p>The guideline provided by Schedule D has been followed in determining Directors' remuneration.</p>
B.2.7	<p>Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committees should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.</p>	<p>The compensation commitments of the Executive Directors are guided by their contracts of employment. This requirement is not applicable to Non-Executive Directors.</p>

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Code Reference	Requirement of the Code	Compliance with the Code
B.2.8	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.	The Board is committed to acting fairly and in accordance with laws of the country, in the event of a termination. There was no termination of services of any Director during the year under review.
B.2.9	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptionally options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non-Executive Director's independence. (as set out in provision A.5.5)	Non-Executive Directors provide expert advice to the Board in their capacity as Directors. Time commitments and responsibilities of their role are taken into consideration when remuneration levels of Non- Executive Directors are determined. The Company does not have a share options scheme in operation for Non-Executive Directors.

B.3 Disclosure of Remuneration**Main Principle:**

The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.

Code Reference	Requirement of the Code	Compliance with the Code
B.3.1	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 remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	The Remuneration Policy is available in the Report of the Remuneration Committee appearing on page 120. Total Directors' emoluments are disclosed in Note 11.1 on page 177.

C. Relations with Shareholders

C.1 Constructive use of Annual General Meeting (AGM) and Conduct of General Meetings

Main Principle:

Boards should use the AGM to communicate with shareholders and should encourage their participation.

Code Reference	Requirement of the Code	Compliance with the Code
C.1.1	Companies should count all proxy votes and should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands, except where a poll is called.	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Chairman makes an announcement of the proxies received, at the commencement of a General Meeting.
C.1.2	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts.	The Company proposes a separate resolution at the AGM on each substantial separate issue, including for the adoption of the financial statements. The Agenda for the AGM is given appearing on page 234.
C.1.3	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman.	The Annual General Meeting provides a forum for shareholders to raise any queries. The Chairmen of the Audit, Remuneration and Nomination Committees are usually present at the Annual General Meeting. All Directors were present at the last AGM of the Company.
C.1.4	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	The Notice of Meeting and related documents is dispatched to the shareholders 15 working days prior to the AGM, as per Section 135 of the Companies Act No. 07 of 2007.
C.1.5	Companies should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.	The Notice of Meeting outlines the procedure relating to voting at the Annual General Meeting. Every shareholder is entitled to one vote per share at a poll.

CORPORATE GOVERNANCE

C.2 Major Transactions

Main Principle:

Further to compliance with the requirements under the Companies Act, Directors should disclose to shareholders all proposed corporate transactions, which, if entered into, would materially alter/vary the Company's net assets base or in the case of a company with subsidiaries, the consolidated group net asset base.

Code Reference	Requirement of the Code	Compliance with the Code
C.2.1	Prior to a company engaging in or committing to a 'Major Transaction', involving the acquisition, sale or disposition of greater than half of the net value of the Company's assets or that of a subsidiary which has a material bearing on the consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, Directors should disclose to shareholders all material facts of such transaction. It also includes transactions or series of related transactions which have the purpose of effect of substantially altering the nature of the business carried on by the Company.	There was no transaction during the year that fell within the definition of a major transaction defined by Section 185 of the Companies Act No. 07 of 2007. There were also no transactions during the year under review that would suggest a substantial alteration in the nature of the business carried out by the Company.

D. Accountability & Audit

D.1 Financial Reporting

Main Principle:

The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.

Code Reference	Requirement of the Code	Compliance with the Code																		
D.1.1	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	In the preparing of annual and quarterly Financial Statements, Company complies with the requirements of the; <ul style="list-style-type: none"> • Companies act No. 07 of 2007, • Sri Lanka Accounting Standards, and • Listing Rules of the Colombo Stock Exchange. The annual and interim Financial Statements are published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange. Given below is a table containing the dates on which the annual and interim Financial Statements were uploaded to the CSE website/dispatched to the shareholders, during the year under review. <table border="1" data-bbox="829 1591 1507 1881"> <thead> <tr> <th>Interim Report</th> <th>Date of uploading/dispatch</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>Annual Report for the year ended 31st March 2010</td> <td>05th June 2010</td> <td>Compliant</td> </tr> <tr> <td>01st Quarter</td> <td>12th August 2010</td> <td>Compliant</td> </tr> <tr> <td>02nd Quarter</td> <td>11th November 2010</td> <td>Compliant</td> </tr> <tr> <td>03rd Quarter</td> <td>09th February 2011</td> <td>Compliant</td> </tr> <tr> <td>04th Quarter</td> <td>12th May 2011</td> <td>Compliant</td> </tr> </tbody> </table>	Interim Report	Date of uploading/dispatch	Status	Annual Report for the year ended 31st March 2010	05th June 2010	Compliant	01st Quarter	12th August 2010	Compliant	02nd Quarter	11th November 2010	Compliant	03rd Quarter	09th February 2011	Compliant	04th Quarter	12th May 2011	Compliant
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Code Reference	Requirement of the Code	Compliance with the Code
D.1.2	<p>The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors to the effect that:</p> <ul style="list-style-type: none"> • The Company has not engaged in any activity which contravenes laws and regulations; • The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested; • The Company has made all endeavours to ensure the equitable treatment of shareholders; • The business is a going concern, with supporting assumptions or qualifications as necessary; and • They have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if it is unable to make any of these declarations, to explain why it is unable to do so. 	<p>The declarations by Directors required by this section have been made in the Annual Report of the Directors appearing from pages 141 to 148.</p>
D.1.3	<p>The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements, together with a statement by the Auditors about their reporting responsibilities.</p>	<p>The Statement of Directors' Responsibilities for Financial Statements is available from pages 151 to 152.</p> <p>The Auditors responsibilities regarding the Annual Financial Statements are outlined in the Report of the Auditors appearing on page 153.</p>

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Code Reference	Requirement of the Code	Compliance with the Code																											
D.1.4	<p>The Annual Report should contain a 'Management Discussion and Analysis', discussing, among other issues:</p> <ul style="list-style-type: none"> ● Industry structure and developments; ● Opportunities and threats; ● Risks and concerns; ● Internal control systems and their adequacy; ● Social and environmental protection activities carried out by the Company; ● Financial performance; ● Material developments in human resource/ industrial relations; and ● Prospects for the future. 	<p>The Board endeavours to present a balanced and an objective assessment of the Company's position, performance and prospects.</p> <p>Information required by this section is included in Annual report as follows:</p> <table border="1" data-bbox="829 468 1507 1166"> <thead> <tr> <th>Information Discussion</th> <th>Report in the Annual Report</th> <th>Page Nos.</th> </tr> </thead> <tbody> <tr> <td>Industrial structure and developments</td> <td>Operating Environment/ This is Dimo</td> <td>14-17, Inner Front Cover</td> </tr> <tr> <td>Opportunities and threats</td> <td>Enterprise Risk Management</td> <td>130-137</td> </tr> <tr> <td>Risks and concerns</td> <td>Enterprise Risk Management</td> <td>130-137</td> </tr> <tr> <td>Internal control systems and their adequacy</td> <td>Corporate Governance</td> <td>85-113</td> </tr> <tr> <td>Social and environmental protection activities carried out by the Company</td> <td>Management Report</td> <td>14-60</td> </tr> <tr> <td>Financial performance</td> <td>Financial Review</td> <td>21-32</td> </tr> <tr> <td>Material developments in human resource</td> <td>Working at Dimo</td> <td>47-55</td> </tr> <tr> <td>Prospects for the future</td> <td>Chairman/CEO's Letter, strategy and This is Dimo</td> <td>8-11, Inner Front Cover</td> </tr> </tbody> </table>	Information Discussion	Report in the Annual Report	Page Nos.	Industrial structure and developments	Operating Environment/ This is Dimo	14-17, Inner Front Cover	Opportunities and threats	Enterprise Risk Management	130-137	Risks and concerns	Enterprise Risk Management	130-137	Internal control systems and their adequacy	Corporate Governance	85-113	Social and environmental protection activities carried out by the Company	Management Report	14-60	Financial performance	Financial Review	21-32	Material developments in human resource	Working at Dimo	47-55	Prospects for the future	Chairman/CEO's Letter, strategy and This is Dimo	8-11, Inner Front Cover
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D.1.5	<p>The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary. The matters to which the Board should give due consideration when adopting the going concern assumptions are set out in Schedule E to this Code.</p>	<p>Information on the Board's determination of the entity as a going concern is included in the Annual Report of the Board of Directors appearing from pages 151 to 152.</p>																											
D.1.6	<p>In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken.</p>	<p>This situation did not arise during the financial year under review.</p>																											

D.2 Internal Control

Main Principle:

The Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.

Code Reference	Requirement of the Code	Compliance with the Code
D.2.1	<p>The Directors should, at least annually, conduct a review of the effectiveness of the Group's system of internal controls, so as to be able to report to shareholders as required in D.1.2. This could be made the responsibility of the Audit Committee.</p>	<p>The Board has the overall responsibility for maintaining the systems of internal control of the Company and for monitoring their effectiveness, which has been delegated to the Audit Committee, whilst the implementation of internal control systems is the responsibility of the Group Management Committee. The Group's systems of internal control are designed to manage rather than eliminate the risk of failure in achieving the business objectives. It can also provide a reasonable assurance against material financial misstatement or loss.</p> <p>The Audit Committee is responsible for reviewing the financial reporting system and Financial Statements, to be published including compliance with relevant accounting standards and laws and company policies, and also for reviewing the effectiveness of the internal audit function.</p> <p>The Group Management Committee is expected to implement an effective system of internal control that addresses the following:</p> <ul style="list-style-type: none"> • Safeguarding of assets • Maintaining proper accounting records • Providing reliable financial information • Identifying and managing business risks • Compliance with legislation and regulation • Early detection of instances of non-compliance • Identification and adoption of best practices <p>The adequacy and effectiveness of the internal control system is reviewed by the Audit Committee with the Internal Auditors during the Audit Committee meetings, where Internal Auditors are invited to present their internal audit findings.</p>
D.2.2	<p>Companies which do not have an internal audit function should from time to time review the need for one.</p>	<p>The Company has outsourced the internal audit function, which has enhanced the independence required by the function.</p> <p>The internal audit plan is agreed with the Internal Auditors at the beginning of each financial year by the Audit Committee. However, the Internal Auditors are allowed the freedom to carry out any additional tasks they consider necessary.</p>

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D.3 Audit Committee

Main Principle:

The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.

Code Reference	Requirement of the Code	Compliance with the Code
D.3.1	<p>The Audit Committee should be comprised of a minimum of two independent Non-Executive Directors (in instances where a company has only two Directors on its Board) or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board.</p>	<p>The Board of Directors appoints members to the Audit Committee. The present committee consists of three Independent Non-Executive Directors and one Non-Executive Director. The Chairman of the Committee is Mr. R. Seevaratnam, an experienced Chartered Accountant, who is also the Senior Independent Director. The composition of the Audit Committee meets the requirements of the CSE Listing Rules.</p> <p>The composition of the Audit Committee is available in the table appearing on page 113.</p> <p>Mr. H.M.A. Jayasinghe, who has previously served on the Board and as the Chairman of the Audit Committee, functions as an Independent Consultant to the Committee offering valuable insight.</p>
D.3.2	<p>The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee should keep the nature and extent of such services under review, seeking to balance objectivity, independence and value for money.</p>	<p>The Audit Committee is a sub-committee of the Board and its main purpose is to assist the Board in the effective discharge of its responsibilities on financial reporting, risk management and corporate control. It assists the Board in monitoring compliance with applicable laws and other regulatory requirements.</p> <p>The Audit Committee plays a key role in reviewing the effectiveness of the internal control system. The methods by which the Audit Committee satisfies itself that it is operating effectively are given below:</p> <ol style="list-style-type: none"> Clear Organisational structures with assigned responsibilities and set objectives; Representations from Executive Management; Budgetary Control; Approval Procedures for Capital Expenditure and Investments; Review of information called for Board Meetings; Discussions with External and Internal Auditors; Review of Internal Audit Programmes and Reports; Code of Ethics; and Assessment of situations of potential conflict of interest, if any. <p>The Audit Committee makes recommendations with regard to appointment/reappointment of External Auditors. The Audit Committee may, if so required, recommend to the Board, the removal of Auditors.</p>

Code Reference	Requirement of the Code	Compliance with the Code
		<p>The Committee also evaluates the performance of External Auditors, reviews the terms of engagement and fees of the Auditors for the audit. The Committee also reviewed fees paid to External Auditors on account of audit related services and non-audit services. Based on the provisions of section 3 of the Guideline for Appointment of Auditors of Listed Companies, issued by the Securities and Exchange Commission, the Audit Committee determined that the External Auditors possess the required independence to be the Auditors of the Company. The Audit Committee met the External Auditors prior to recommendation of Financial Statements to the Board.</p> <p>The Audit Committee encourages the External Auditors to communicate with the Internal Auditors.</p> <p>The Audit Committee met the Internal Auditors at regular intervals during the financial year to discuss the internal audit findings and to discuss effectiveness of internal controls and identify the levels of risk carried by the areas reviewed by the Internal Auditors. The Audit Committee also reviewed the fees paid to Internal Auditors.</p>
D.3.3	<p>The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties.(As referred to in the Code)</p> <p>Detailed guidance on the scope and functions of the Audit Committee can be found in the Code of Best Practice on Audit Committees issued by The Institute of Chartered Accountants of Sri Lanka in 2002.</p>	<p>Terms of Reference of the Committee clearly sets out its responsibilities and authority.</p> <p>The Board also considered the Code of Best Practice on Audit Committee of The Institute of Chartered Accountants of Sri Lanka in defining the terms of reference for the Audit Committee.</p>
D.3.4	<p>Disclosures</p> <p>The names of Directors (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.</p> <p>The Committee should also make a determination of the independence of the Auditors and should disclose the basis of such determination in the Annual Report. The Annual Report should contain a report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates.</p>	<p>The names of the members of the Audit Committee are disclosed on page 113.</p> <p>Committee meetings and the attendance of members is given in the table appearing on page 113.</p> <p>The basis of determination of the independence of Auditors is given under the response to D.3.2.</p> <p>The Chairman/Managing Director/ Chief Executive Officer, Deputy Chief Executive Officer and the Director in charge of the finance function attend Audit Committee meetings, unless otherwise determined by the Audit Committee. Any member of the Board may attend the Committee meetings by invitation.</p> <p>The report of the Audit Committee is available on pages 118 to 119.</p>

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D.4 Code of Business Conduct & Ethics

Main Principle:

Companies must adopt a Code of Business Conduct & Ethics for Directors and members of the Senior Management team and must promptly disclose any waivers of the Code for Directors or others.

Code Reference	Requirement of the Code	Compliance with the Code
D.4.1	<p>All Companies must disclose whether they have a Code of Business Conduct & Ethics for Directors and members of the Senior Management team and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and members of the Senior Management team have complied with such Code, and if unable to make that declaration, state why they are unable to do so. Each company may determine its own policies in the formulation of such a Code, but all Companies should address the following important topics in their respective Codes:</p> <ul style="list-style-type: none"> ● Conflict of interest; ● Corporate opportunities; ● Confidentiality; ● Fair dealing; ● Protection and proper use of company assets; ● Compliance with laws, rules and regulations (including insider trading laws); and ● Encouraging the reporting of any illegal or unethical behaviour. <p>These aspects are expanded on, in Schedule G.</p>	<p>The Company has a Code of Ethics applicable to Directors and employees of the Company. The areas covered in the Code of Ethics include proprietary information, conflict of interest, benefits from third parties, accurate books of account, usage of company property for personal use, illegal acquisition of competitor information, insider trading, protection of environment and natural resources and gender equity. Compliance with laws and regulations is a strict requirement for directors and all employees.</p>
D.4.2	<p>The Chairman must affirm in the Company's Annual Report that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.</p>	<p>Refer the Chairman' Message on Corporate Governance on page 84.</p>

D.5 Corporate Governance Disclosures

Main Principle:

Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.

Code Reference	Requirement of the Code	Compliance with the Code
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	<p>The contents of this report deals with the extent to which established principles of good Corporate Governance have been adhered to and the requirements Code of Best Practices on Corporate Governance issued by the SEC and the ICASL have been complied with.</p> <p>The Company has implemented the regulations of the Section 7.10 of the Listing Rules of Colombo Stock Exchange on Corporate Governance.</p>

SECTION 2: THE SHAREHOLDERS

E. Institutional Investors

E.1. Shareholder Voting

Main Principle:

Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.

Code Reference	Requirement of the Code	Compliance with the Code
E.1.1	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	<p>The Annual General Meeting provides the forum for shareholders to express their views. The Chairman ensures that any views expressed by investors to him personally or at General Meetings are discussed with the Board.</p> <p>The Directors consider it important to understand the views of shareholders and, in particular, any issues which concern them.</p>

E.2 Evaluation of Governance Disclosures

Main Principle:

When evaluating companies' governance arrangements, particularly those relating to board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.

Code Reference	Requirement of the Code	Compliance with the Code
E.2	When evaluating companies' governance arrangements, particularly those relating to board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	The Corporate Governance Report contains the Company's governance arrangements. Institutional investors are at liberty to provide any feed-back on the governance arrangements.

CORPORATE GOVERNANCE

F. Other Investors

F.1 Investing/Divesting Decision

Main Principle:

Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.

Code Reference	Requirement of the Code	Compliance with the Code
F.1	Individual Shareholders	The Company's communications with the shareholders, including the Annual Report, provides information that enables shareholders to make informed judgments or to seek advice on their investment decisions. The extensive nature of the information given would facilitate the shareholders in carrying out adequate analysis when making their decisions.

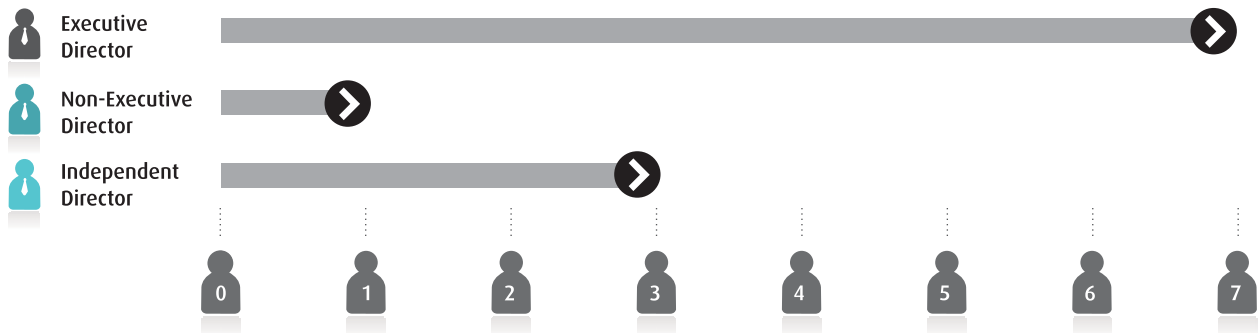
F.2 Shareholder Voting

Main Principle:

Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.

Code Reference	Requirement of the Code	Compliance with the Code
F.2	Individual shareholders voting	The shareholders are encouraged to participate at general meetings and cast their votes. Instructions with regard to appointing a proxy and the manner in which a proxy form should be completed are available in the Proxy Form circulated with the Annual Report.

Composition of the Board of Directors



Composition of the Board and Board Committees and Attendance at Meetings for 2010/2011

Board Member	Date of Appointment to the Board		Board Position	Attendance	Committee Members					
	First	Re-election			Audit Committee Position	Nomination Committee		Remuneration Committee		
						Attendance	Position	Attendance	Position	
A.R. Pandithage	June 1977	–	Chairman/MD/CEO	7/7	No	–	Member	1/1	No	–
R. Seevaratnam	January 2007	June 2010	Senior Independent Director	7/7	Chairman	6/6	Member	1/1	Member	1/1
Dr. H. Cabral	October 2006	June 2009	Independent Director	6/7	Member	5/6	Chairman	1/1	Member	1/1
Prof. U. Liyanage	October 2006	June 2009	Independent Director	7/7	Member	6/6	Member	1/1	Chairman	1/1
A.N. Algama	November 1984	June 2010	Executive Director	7/7	No	–	No	–	No	–
A.M. Panidithage	September 1982	June 2010	Non-Executive Director	7/7	Member	6/6	Member	1/1	Member	1/1
A.G. Pandithage	December 1995	June 2008	Director/Deputy CEO	6/7	No	–	No	–	No	–
B.C.S.A.P. Gooneratne	April 2006	June 2009	Executive Director	7/7	No	–	No	–	No	–
R.C. Weerawardane	June 2002	June 2008	Executive Director	6/7	No	–	No	–	No	–
S.C. Algama	November 1984	June 2009	Executive Director	6/7	No	–	No	–	No	–
T.G.H. Peries	August 1977	June 2010	Executive Director	7/7	No	–	No	–	No	–

Dates of the Meeting

No.	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee
1.	7th April 2010	7th April 2010	18th May 2010	18th May 2010
2.	18th May 2010	4th May 2010		
3.	29th June 2010	18th May 2010		
4.	12th August 2010	12th August 2010		
5.	14th September 2010	11th November 2010		
6.	11th November 2010	9th February 2011		
7.	9th February 2011			

CORPORATE GOVERNANCE

Compliance with the Listing Rules —○

The following table shows the level of compliance with the Section 7.10 of Listing Rules of the Colombo Stocks Exchange, pertaining to Corporate Governance.

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1	Non-Executive Directors	At least two or one-third of the Directors, whichever is higher, should be Non-Executive Directors.	Compliant	Four out of Eleven Directors are Non-Executive Directors.
7.10.2.(a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher should be independent.	Compliant	Three of the Four Non-Executive Directors are independent.
7.10.2.(b)	Independent Directors	Each Non-Executive Directors should submit a declaration of independence/non-independence.	Compliant	Non-Executive Directors have submitted the declaration in the prescribed format.
7.10.3.(a)	Disclosures relating to Directors	Name of independent Directors should be disclosed in the Annual report.	Compliant	Please refer page 113.
7.10.3.(b)	Independent Directors	The Board shall make a determination annually as to Independent or Non-Independence of each Non-Executive Director.	Compliant	The Board has carried out the determination as stated in the Governance Report. Please refer pages 84 to 113 (Board independence).
7.10.3.(c)	Disclosures relating to Directors	A brief résumé of each Director should be included in the Annual Report including the area of expertise.	Compliant	Please refer pages 122 to 125.
7.10.3.(d)	Appointment of new Directors	Provide brief résumé of any new Director appointed to the Board.	N/A	N/A
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Names of the members of the Remuneration Committee is available on page 113.

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.5.(a)	Composition of Remuneration Committee	Shall comprise Non-Executive Directors, a majority of whom shall be independent.	Compliant	Remuneration Committee consists of four Non-Executive Directors of which three are independent. Chairman of Remuneration Committee is an independent Non-Executive Director.
7.10.5.(b)	Function of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Compliant	Please refer the Remuneration Committee Report on page 120.
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out:	Compliant	Please refer page 113.
		a. Names of Directors comprising the Remuneration Committee.	Compliant	Please refer the Remuneration Committee Report on page 120 for a brief statement of policy.
		b. Statement of Remuneration Policy.	Compliant	Please refer page 177.
		c. Aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	Please refer page 177.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Compliant	Name of the members of the Audit Committee are available on pages 118 to 119.
7.10.6.(a)	Composition of Audit Committee	Shall comprise Non-Executive Directors, a majority of whom can be independent.	Compliant	Audit Committee consists of four Non-Executive Directors of which three are independent. Chairman of Audit Committee is a Non-Executive independent Director.
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	Compliant	Chief Executive Officer and Chief Financial Officer attend by invitation.
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Compliant	Chairman of the Audit Committee is a member of The Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants of England & Wales.

CORPORATE GOVERNANCE

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6.(b)	Function of Audit Committee	Should be as outlined in the Section 7.10 of the Listing Rules.	Compliant	The terms of reference of the Audit Committee adopted by the Board on 20th June 2007 cover the areas outlined.
7.10.6.(c)	Disclosure in the Annual Report relating to Audit Committee	a. Names of Directors comprising the Audit Committee.	Compliant	Please refer pages 113.
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Compliant	Please refer Audit Committee Report on pages 118 to 119.
		c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance of the functions.	Compliant	Please refer Audit Committee Report on pages 118 to 119.