Business Beyond Borders

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FU(ふゆ)SION | EXPOLANKA HOLDINGS PLC | ANNUAL REPORT 2014/15

About the theme

The art of Shodo (Japanese Calligraphy) was introduced in 600 AD and involves great concentration and skill in both mind and body. Precision is key as lack of confidence is easily spotted in the deliberate strokes. “Do” which means path is a way of clearing the mind and being in total harmony with oneself.

ふゆ-sion

As ink marks paper, we have made our presence felt with a diverse business portfolio. Every brush stroke represents our deliberate actions within the economy and they have changed the industry. We have remained fluid and adaptive and this year stands as a testament to our solidity which has allowed us to be more focused and streamlined. Our confidence has shone through each movement, a vision of clarity, and as we create a fusion with Japanese solidity and processes, we mark the next stage of our growth and the infinite potential that it unlocks for our future.

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The Report Approach

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PROCESS FOR DEFINING THE REPORT CONTENT

Report boundary & scope

Effort has been made towards achieving completeness of the report with regard to the dimensions of scope and boundary for the reporting period. This report covers the performance of the entity Expolanka Holdings PLC for the reporting period April 2014 to March 2015 and is presented as an integrated report that aims to give a holistic Group perspective of sustainable business practice and performance.

Principles and reporting guidelines: International Integrated Reporting Council (IIRC) & Global Reporting Initiative (GRI)

This integrated report has been produced based on the principles laid out by the International Integrated Reporting Council (IIRC) and its Integrated Reporting Framework. By doing so the Group recognises and accepts that the application of integrated reporting principles and concepts will bring greater cohesion and efficiency to the reporting process. The Group is cognizant of the fact that in today's commercial framework business strategy and sustainability are interlocking elements in the effort towards laying a foundation for sustainable business practice. Strategy, risk, performance and sustainability are indivisible and hence can only be portrayed as integrated and fully aligned to one another.

In doing so, this Report also fully utilises the Sustainability Reporting Framework developed by the Global Reporting Initiative (GRI) as a complimenting reporting framework. Through the adoption of this universally-applicable, comparable framework for disclosure of information, the Group in its sustainability reporting strives to comply with specific 'Reporting principles' and 'Reporting Guidance' as laid out by the G4 guidelines and indicator protocols for economic, environment, human rights, labour, product responsibility and societal performance. In the financial year under review, the Group will be reporting in accordance option as 'core' for this Report and have disclosed information under the GRI 4 with the external assurance provided by Ernst &Young Auditors for the Report. 2013/2014 sustainability report fulfilled the criteria in accordance with option as "core". However, in the medium term, the Group seeks to gradually improve on the reporting to meet GRI compliance in accordance with option as 'Comprehensive'.

Materiality

As outlined in the GRI guidelines, the Group recognises and accepts the importance of materiality. This Report covers topics and indicators that reflect the Group's significant economic, environmental and social impacts or that would substantively influence the assessments and decisions of its stakeholders.

Methodology & Data Measurement Techniques

This Report has been prepared by a cross-functional team comprising of financial, risk and governance, corporate communications and sustainability stewards, appointed and reporting to the Management Committee of the Board, but under the direction of the Chairman and Chief Executive Officer of the Group.

Data measurement and data collation is an inherent process that is embedded into the daily processes of the Group. The information and data herein are sourced from the relevant representatives of the divisions at the Holding Company and the representatives of the sustainability sub committees at the subsidiaries. The information and data for materiality and completeness were further clarified and validated from the senior management of the respective operations. All financial and HR statistical data have been extracted from the Group's ERP system - Oracle and HCM system respectively. Specific processes aimed at documentation of financial and sustainable business practice are undertaken on a daily and weekly basis under each of the business sectors and their individual companies. This information is in turn collated and analysed at Group level, periodically.

Inquiries & Key Contact

Any queries and clarifications related to the information and data presented in this Report to be directed to:

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Head of Marketing , Corporate Communications & CSR
paddy@expolanka.com

About Us

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ABOUT THE GROUP

The story of Expolanka starts in 1978 as the Sri Lankan economy was liberalized and the flagship company Expolanka Limited was established. Initially a pioneer exporter of fresh produce, Expolanka was one of the first winners of the prestigious Presidential Award in this category. Emerging unobtrusively as a strong and dynamic group of companies, Expolanka has been gradually but steadily consolidating and sustaining growth.

Expolanka's rise to being one of the largest conglomerates in Sri Lanka has been achieved through a well strategized growth plan. Expolanka operates in various business sectors, globally represented by many industries in many business units. Each business unit over the years has maintained its competitive advantage by evolving and looking at focused business strategies.

Expolanka's expansion to international markets commenced in 1992, and within a very short span of time, the Group's network of operations has spanned worldwide. The Group continues to explore new emerging markets with a view to expand its global operations.

In 2014, the Group forged a strategic partnership with SG Holdings Group, a leading logistics group in Japan, which includes Sagawa Express, one of the largest delivery companies in Japan. Following the partnership with Expoloanka, SG Holdings has a strong presence in the Asian Region with 24 locally incorporated subsidiaries outside Japan including China, Vietnam and Singapore.

EXPOLANKA 360°

Expolanka has been in operation since 1978 We are headquartered in Colombo, Sri Lanka Our workforce is 2,731 and growing Our network spans across 20 countries in Asia, Africa, USA and the Middle East We live by the covenant of "Building a great business with a dare to do spirit"

COVENANT

"Building a great business with a dare to do spirit"

OUR CULTURE

Since inception, an ambience of tradition and integrity has been the bedrock of all our business activities. As a result, this strong heritage endures today with honesty and reliability strongly embedded into our working culture. As a forward looking organisation, our dare-to-do spirit has added dynamism to this ethical bias. Our commitment to being a relentless learning organisation adds a competitive edge to our businesses as we strive to be a value champion to our stakeholders.

EXPOLANKA CORE VALUES

- We will always follow ethical business principles in transacting & managing business
- Caring for stakeholder's interests
- Commitment to Excellence
- Innovation & Entrepreneurship

EXPOLANKA HOLDINGS PLC

SG Holdings Japan Global Presence

Expolanka Global Presence

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Expolanka Global Offices

Bangladesh
Expo Freight Ltd
Dhaka (HQ)
Chittagong

China
Expo Freight (Shanghai) Ltd
Shanghai

Hong Kong
Expofreight (Hong Kong) Ltd
Kowloon (HQ)
Shenzhen

India
Expo Freight Private Ltd
Chennai (HQ)
Ahmedabad
Bangalore
Cochin
Coimbatore
Hyderabad
Kandla
Karur
Kolkata
Ludhiana
Moradabad
Mumbai
New Delhi
Pune
Tirupur
Tuticorin
Visakhapatnam

Indonesia
PT. Expo Freight
Jakarta (HQ)
Surabaya
Semarang

Kenya
Expolanka Freight Ltd
Nairobi (HQ)
Mombasa

Madagascar
Expolanka Madagascar SA
Antananarivo

Maldives
Expo Services (Pvt) Ltd
Male

Mauritius
Expolanka Freight Ltd
Port Louis

Pakistan
EFL Pakistan (Pvt) Ltd
Karachi (HQ)
Lahore

Philippines
Expolanka Freight (Philippines) Inc.
Manila

Singapore
EFL Global Logistics (Pte) Ltd
Singapore

South Africa
Expolanka Freight (Pty) Ltd
Johannesburg

Sri Lanka
Expolanka Freight (Pvt) Ltd
Colombo (HQ)
Avissawella
Biyagama
Galle
Ja-ela
Hambantota
Katunayaka
Koggala
Seeduwa
Orugodawatta

UAE
Expolanka Freight Dubai LLC
Dubai (HQ)
Abu Dhabi
Jebel Ali

USA
Expolanka USA LLC
New York (HQ)
Chicago

Vietnam
Expolanka Freight (Vietnam) Ltd
Ho Chi Minh (HQ)
Hai Phong
Hanoi

Egypt
Cairo

Qatar
Doha

Cambodia
Phnom Penh

Key Milestones of Expolanka Group

1978

- Expolanka commenced operations with the incorporation of Expolanka (Pvt) Limited, to export fresh produce

1982

- Expolanka ventured into the Transportation Sector with Expolanka Freight Limited (Sri Lanka)

1986

- Expolanka diversified into the airline representation business with the establishment of International Airline Services (Pvt) Ltd, which represents Virgin Airlines Cargo operations

1989

- Diversified into the tea export business with Expolanka Teas (Pvt) Ltd

1990

- Commenced retail & wholesale commodity distribution with Expolanka Commodities

1993

- Expolanka incorporated Bio Extracts to venture into Herbal Pharmaceuticals
- Incorporation of Neptune Papers with a vision towards recycled paper

1994

- Expolanka ventured into the travel agency business with the incorporation of Classic Travel
- Expolanka commenced operation of airlines with Expo Aviation
- Expolanka was awarded the GSA of Saudi Air Cargo & Incorporates Globe Air Limited

1995

- The Group moved into the garment manufacture industry with denshun industries

1998

- Expolanka received the GSA for Royal Jordanian Airlines

1999

- Virgin Atlantic Passenger, KLM & Czech Airlines granted Cargo GSA's in Sri Lanka to Expolanka
- Incorporation of BAX Global (Pvt) Limited
- Expolanka moved into the Education sector forming APIIT Lanka
- Sri Lanka's first ever call centre Hello Corporation (Pvt) Ltd incorporated
- Expolanka Pharmaceuticals Incorporated

2003

- Expolanka invested in India through Expo Freight India
- Virgin Atlantic appointed Expolanka as their Cargo GSA in Dubai

2004

- Expolanka invested in Bangladesh through Expolanka Bangladesh
- Expolanka invested in Pakistan through Expolanka Pakistan (Pvt) Ltd
- Expolanka became the Cargo GSA for Saudi Air in Bangalore, Trivandrum and Cochin India by investing in International Sky Services (Pvt) Ltd
- Expolanka Plantations incorporated
- Expolanka Freight (Pty) Ltd (South Africa) incorporated
- Expolanka Freight Limited (Kenya) incorporated
- Investment into Expolanka Freight Madagascar
- Investment into Expolanka Freight Limited Mauritius

2005

- Re-Structure of organization through share swap
- Expolanka is Sri Lanka's first, Microsoft Dynamix CRM3.0 implemented company
- Expolanka became the Cargo GSA for Air France Cargo in Sri Lanka

2006

- Investment into Expolanka Freight FZCO Dubai, which represents American Airlines Cargo
- Expolanka invested in Air Line Cargo Resources FZCO Dubai which represents Virgin Cargo operations

2007

- Re-launch of Expolanka with a new brand & identity
- Implementation of Oracle as Group ERP System
- Schenker Global Agency in Sri Lanka was awarded to S.G Logistics

2009

- Expolanka ventured into the local tea market with the launch of T-SIPS
- Sri Lanka's first dedicated perishable logistics company Peri Logistics is incorporated
- Air Astana Cargo / Passenger GSA in Sri Lanka
- Established Luxe Asia in Colombo, Expolanka's Destination Management Company
- Formation of Expolanka Executive Council

Key Milestones of Expolanka Group Contd.

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- Establishment of Ecologi Foundation to carry out various CSR & environment related activities
- Expolanka signed a joint venture agreement with Airline Cargo Resources & represents Virgin Cargo in Bangladesh
- Expolanka represents Virgin Passenger operations in Bangladesh after entering into a joint venture agreement with Airline Services Limited
- Expolanka entered into a joint venture agreement with Cross Freight & represents Swiss Air Cargo in Bangladesh
- Expolanka signed a joint venture agreement with Freight Care & represents Air France & KLM in Bangladesh
- Expolanka received Microsoft Dynamic Rating on IT's Core Infrastructure

2010

- Divestment of Expo Aviation and Denshun
- Sell down major shareholders to broad base ownership
- Established Expo Freight Vietnam and PT Unipara

2011

- The Company was listed on the main board of the Colombo Stock exchange via an initial public offering
- Acquired 50 percent stake in Norfolk (Pvt) Ltd.
- Commenced construction and expanded the warehouse operations at Orugodawatte
- Acquired 50 percent stake in Akquasun Holidays, India
- Initiated the Expo Rail luxury train service

2012

- Expolanka Freight rebraned as "EFL"
- Expolanka Commodities initiated Madagascar operation
- Expolanka Freight opened offices in USA, China and Hong Kong

2013

- Classic Travel expanded operations to Katunayake and Ratnapura with new branch openings
- Expo Freight (EFL) initiated their Maldivian operation with the opening of their new office in the Maldives
- Crescent opened its "Norfolk Fine Foods" flagship outlet in Marine Drive
- Bio Extracts unveiled its new logo, packaging and brand strategy for their herbal healthcare range 'Baraka'
- Expolanka Holdings PLC divested its fully owned subsidiaries Expolanka Commodities (Pvt) Ltd, Hello-Corp (Pvt) Ltd, Luxe Asia (Pvt) Ltd and Lanka Premier Foods (Pvt) Ltd, under the restructuring strategy
- Expolanka Holdings PLC divested 38 percent of its stake in its subsidiary Asia Pacific Institute of Information Technology (Pvt) Ltd (APIIT) to LANDAS BIJAK SDN BHD a subsidiary of Ekuiti Nasional Berhad (Ekuinas) as part of the restructuring strategy
- Expo Medix, the flagship not for profit chain of clinics, served its 100,000th patient

2014

- SG Holdings Japan bought 30 percent stake of Expolanka Holdings PLC to acquire controlling stake of 51 percent in Expolanka Holdings PLC.
- Expolanka Holdings appointed a new Board of Directors and a Chairman following the acquisition by SG Holdings Japan.
- Expolanka launced Expo Global Distribution Centre (EGDC), a duty-free zone that allows retail brands to import goods without any Customs Duty and offers services as a distribution centre as well as an offshore business.
- Expolanka Holdings PLC divested its stakes in several companies in the International Trading and Manufacturing sector. The companies were namely, Expolanka Teas (Pvt) Ltd, Expolanka Plantation (Pvt) Ltd, World Spices & Teas (Pvt) Ltd, Neptune Holdings (Pvt) Ltd, Castle Commercial (Pvt) Ltd, Expolanka Pharmaceuticals (Pvt) Ltd, Bio Extracts (Pvt) Ltd and Saffron Foods (Pvt) Ltd.
- Classic Travel opened 'Classic Vacations' to cater to the holiday travel segment.
- EFL opened new offices in USA, China and Hong Kong

2015

- Logistic Park opened a 100,000 sqft state of the art fashion logistics warehouse and a transportation division in Orugodawatte, Sri Lanka.
- Expolanka launched TravelBridge an innovative solution for Travel Agents

News Highlights

Expo Freight awarded ISO 9001:2008 Quality Management Systems certification

Expolanka Freight Limited was awarded the ISO 9001:2008 Quality Management Systems certification from SGS United Kingdom in February. The certification acknowledges safe & reliable products along with good management practices of the company. Later in the year, Expo Freight claimed two Gold awards at the National Chamber of Exporters awards ceremony, rounding off what was a highly rewarding year for the logistics company.

Expo Football retains Mercantile A Division Championship

Expo Football emerged as champions in the Mercantile 'A' Division Football League for the third year in a row. The Group defeated HNB and LB Finance in the knock out tournament to retain the title.

Classic Travel appointed General Sales Agent for MakeMyTrip.com India

Classic Travel succeeded in strengthening its service portfolio when the Company was appointed as the General Sales Agent of MakeMyTrip.com for Sri Lanka. With this tie-up, MakeMyTrip's complete range of value-based International holiday travel products became available exclusively through Classic Travel in Sri Lanka. MakeMyTrip is the largest online travel company and the largest e-commerce business in India.

Expo Freight (EFL) sponsors Mount Everest expedition

Expo Freight joined hands with Elmo Francis, a professional mountaineer, to support Sri Lanka's first expedition to reach the summit of Lobuchi East on Mount Everest. The conquering of the Lobuchi East summit, which stands at 6200 metres above sea level, was another milestone in a series of mountain climbing achievements for Elmo, who aspires to conquer the Mount Everest summit in 2015.

Expo Global Distribution Centre (EGDC) releases its first shipment

Expo Global Distribution Centre (EGDC) released its first shipment on the 28th of April 2014. EGDC serves as a Free Port, which is a duty-free zone that allows retail brands to import goods without any Customs Duty. In addition, the EGDC offers services as a distribution centre as well as an offshore business.

SG Holdings Japan acquires controlling stake of Expolanka Holdings

SG Holdings Japan acquired a controlling stake of 51percent of Expolanka's Shares. Along with this, a new Board of Directors was appointed for Expolanka

Elmo Francis following his climb

ISO 9001:2008 Quality Management Systems certification

Microsoft Azure based leisure application launched

Holdings. SG Holdings, the holding company for the Sagawa Group, focuses on global freight forwarding and currently owns 24 local subsidiaries in 10 countries.

Expolanka Holdings launches Microsoft Azure based leisure applications for its Travel sector

Expolanka launched a Microsoft Azure based leisure application for its travel sector business. Incidentally, the company became the first Sri Lankan conglomerate to host a travel & leisure based application on the Microsoft cloud platform.

Expolanka steps out to spread awareness on global warming amongst 10,000 Sri Lankan youth

Expolanka Holdings stepped out to reach 10,000 youth to spread awareness on global warming, climate change and personal contribution to environmental sustainability to celebrate World Environment Day. In collaboration with Advent Global, Expolanka Environment Champions delivered training sessions to 10,000 Sri Lankan youth. In addition, a tree planting activity was also conducted along with the awareness programme.

Classic Travel celebrates 20th anniversary

Classic Travel, a prominent subsidiary of Expolanka Holdings, celebrated its 20th anniversary of offering innovative and pioneering travel solutions to customers in Sri Lanka and abroad. Classic Travel is the first and only travel agent in Sri Lanka to be open 24 hours a day, offering a host of services for the customers.

Classic Travel establishes 'Classic Vacations'

Classic Travel, established its first branch named Classic Vacations, to serve as the outbound touring division of the mother company. The first branch is located in Munidasa Kumaratunga Mawatha to cater to the discerning holiday travellers. The new branch will mainly focus on customized holiday tour packages with added value to suit each customer.

Norfolk Foods celebrates 20 years

Norfolk Foods too reached the milestone 20th year. As a pioneer in specialized frozen foods in Sri Lanka, the company has been able to offer a variety of nutritious and healthy food items under the leadership of its founder, Mohamed Ziauddin.

Expolanka Divests stakes in several companies

Expolanka Holdings made a major strategic decision when it divested its stake in several companies that were part of the Group's International Trading and Manufacturing sector. The divestment was done as a strategic decision to

Classic Travel celebrates 20th anniversary

focus on Expolanka's core businesses, and optimize sustainable growth. The divested companies are as follows, Expolanka Teas (Pvt) Ltd, Expolanka Plantation (Pvt) Ltd, World Spices & Teas (Pvt) Ltd, Neptune Holdings (Pvt) Ltd, Castle Commercial (Pvt) Ltd, Expolanka Pharmaceuticals (Pvt) Ltd, Bio Extracts (Pvt) Ltd and Saffron Foods (Pvt) Ltd.

Expo Freight wins Bronze Award at SLIM Brand Excellence Awards 2014

Expo Freight won a Bronze Award in the Business to Business category at the SLIM Brand Excellence Awards 2014. This honour was a continuation from similar honours in the previous years at the SLIM Brand Excellence.

Expolanka honoured at National Business Excellence Awards 2014

National Business Excellence Awards 2014 organized by the National Chamber of Commerce of Sri Lanka. Adding to the awards in 2013, Expolanka walked away with the Gold award for Global Reach and Diversified Sector while Expo Freight Ltd won Gold for Shipping and Related Services.

Expolanka CSR conducts Eyes of Hope

Expolanka's CSR arm facilitated 25 cataract surgeries free of charge and donated spectacles to those in need through the 'Eyes of hope' project. The surgeries and the spectacle donation was conducted following a free eye care clinic to determine the necessary actions.

Expolanka introduces TravelBridge

Expolanka Holdings introduced its unique and innovative Business to Business (B2B) travel solution service, TravelBridge. The Company offers one-point access to all travel services to create a memorable itinerary and skilled consultants geared to troubleshoot and offer one-on-one training to help sell better. Once travel agents join the TravelBridge 'Travel Agent Programme', the Company offers a simplified contracting process with no overseas remittances, in addition to attractive commissions and competitive rates.

Expolanka honoured at the ACCA Sustainability Awards 2014

Expolanka Holdings PLC won the runners up award in the Diversified Conglomerate category for the second year running at the ACCA Sri Lanka Sustainability Awards presented by the Association of Chartered Certified Accountants (ACCA) Sri Lanka Liaison Office.

Expolanka builds water tank and pipeline to assist the community in Ratugala and surrounding area

Expolanka's CSR arm built a water tank and a pipeline to help ease the hardships that the people in Ratugala area suffered without proper access to clean water. The new facilities provide clean water from a source 2km away giving access to pipe borne water to everyone in the village and living in the area.

Eyes of Hope

Expo Football wins Standard Chartered Championship Trophy held in Mumbai

Expo Football defeated Delhi 2 to 0 to clinch the Standard Chartered Championship Trophy held in Mumbai. The team beat Chennai and Kolkata to qualify for the final. The win sealed Expo Football's chance to play the final round in Liverpool, England.

Celebrating World Water Day Expolanka lends a hand to provide clean water to school children

In a bid to help address the current Chronic Kidney Disease (CKD) crisis in a meaningful manner, Expolanka Holdings stepped up to provide RO water purification solutions to four schools in Anuradhapura district. Over 3,000 school children in Vidyadarsha Maha Vidyalaya, Nochchiyagama, Rahula Maha Vidyalaya, Yaya, Rajanganaya, Karapittakada Vidyalaya, Karapittakada, Medawachchiya, Koongollawa Vidyalaya, Etawiragollawa, Medawachchiya will benefit from this endeavour.

Expolanka and Expo Freight (EFL) celebrates Earth Hour encouraging everyone to protect mother earth

Expolanka and Expo Freight (EFL) initiated their Environmental campaign to celebrate Earth Hour with a series of activities. Among them was an 'Earth Hour Competition' for its Facebook audience for the second consecutive year. The competition which strives to reward environmentally friendly behaviour and spread awareness about sustainable practices is one of a series of endeavours of Expolanka and Expo Freight to contribute meaningfully to the worldwide Earth Hour movement.

Winners of Standard Chartered Championship Trophy

TravelBridge launched

Ratugala Water supply project

World Water Day

Winners of Earth Hour challenge

Financial Highlights

G4-9 ➔

52,652 MN
Revenue 2014/15

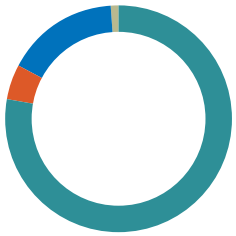
8,517 MN
Gross Profit 2014/15

1,456 MN
EBIT 2014/15

1,313 MN
PBT 2014/15

1,047 MN
PAT 2014/15

Revenue Composition



Freight & Logistics	77%
Travel & Leisure	5%
International Trading & Manufacturing	16%
Investments & Services	1%

EBIT Composition

Freight & Logistics	103%
Travel & Leisure	10%
International Trading & Manufacturing	8%
Investments & Services	-21%

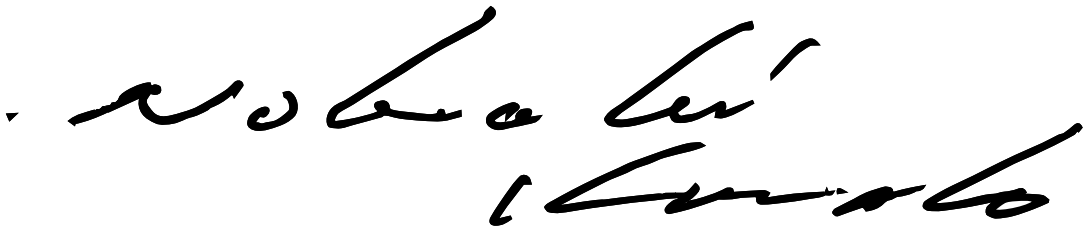
Focus

Focused on Growth

THE BRUSH TWISTS AND TURNS OVER THE PAPER, WITH CAREFUL ATTENTION TO DETAIL, WE CREATE A SENSE OF ACUTE FOCUS THAT HELPS US TO BE AN INSPIRATIONAL BUSINESS. ONE THAT TRANSCENDS ALL BARRIERS IN ORDER TO BRING ABOUT INNOVATION AND GROWTH.

Chairman's Statement

G4-1 →



"Our strategic priorities during the year was to garner profitable above market growth through the optimization of the global footprint, to focus on margin improvement, to enhance operational efficiencies and to shift our focus from a transaction based to a solutions based service provider."

Year of strategic fusion

The financial year 2014/15 has been a focal year for Expolanka Holdings PLC. It has been a year of strategic fusion, where we have focused our attention to critical growth factors, sharpening our operational acumen through optimization initiatives. We have continued to consolidate the Group's sectors moving with sustained momentum to reach key targets. In the year under review, as in the past financial year, we continued to create a base for sustained growth, identifying and enhancing the key growth sectors, divesting non-core operations where returns from divestment outdo the expected potential returns from re-investment into these sectors.

As our shareholders will recall, it is exactly one year since SG Holdings of Japan made an investment partnership with Expolanka Group, on the strength of our shared vision for the two corporates. I have had the pleasure of being at the helm of your Group over the past financial year and attest to the joint efforts of SG Holdings and Expolanka Holdings to create synergies across both the entities, creating value across global boundaries. With the fusion of these two corporates, the synergies that are yet be explored are immense. Through the sharing of resources – both intellectual and physical – I envision strong growth for Expolanka in the medium term. As the benefits of this strategic fusion begin to unfold, I believe, we will witness the creation of a conglomerate that will be a powerhouse in the Asian subcontinent.

Fusion of vision brings transcendental change

Most importantly, the fusion of corporate vision has led way to transcendental change across our businesses. In 2014/15, Expolanka furthered its corporate vision, becoming more focused on key pillars of growth, we continued to pool our resources towards value generators and I am pleased to note that during the financial year, your Company moved with great purpose towards its strategic intent.

Expolanka Group from its inception has been a corporate that has had fluidity ingrained in its DNA. It is one that has embraced adaptive change consistently and consciously, in the belief that fluidity delivers transcendental change. This bold corporate ethos has paved the way for Expolanka's exponential growth across its core businesses in the past decade. Fluidity coupled with foresight has been the fuel for Expolanka in the past and I firmly believe it is this same combination that will drive your Company to greater heights in the years ahead.

Transformation and growth

This financial year, we continued to witness transformation of the business, as re-configuration efforts cascaded across the value network, enlarging returns whilst contracting cost structures. All our businesses continued to demonstrate adaptability and resilience and remained relevant to our stakeholders, despite undergoing major transformations to offer integrated value creation for the Group. Pervasive Group-wide organisational reviews yielded significant efficiency gains across the board. As we became leaner and sharper, our strategy to refocus on value generators has yielded sustained returns. A stronger Company has risen from the reshaping and I believe that the focus on our core – a strategy implemented judiciously by my predecessor, the visionary Mr. Osman Kassim – has been one that will rightly be seen as the impetus for the next quantum leap towards exponential growth.

In 2014/15, our focus was honed on execution of strategy, achieving operational efficiencies and gaining growth momentum across all sectors. We accepted at the commencement of the financial year that growth was likely to remain organic; we optimized the operations of all components within the four sectors and accepted that our onus for the year was to become fit for acquisitions, when suitable opportunities arose, for sector components that have had a legacy of moderate growth.

Our strategic priorities during the year was to garner profitable above market growth through the optimization of the global footprint, to focus on margin improvement, to enhance operational efficiencies and to shift our focus from a transaction based to a solutions based service provider. In terms of delivery, I believe we have made commendable progress towards achieving these priorities, whilst being appreciative that full achievement can only be realised within the next two years.

We invested during the year towards productivity enhancements across all sectors. The implementation of ERP in Freight & logistics, online solutions across Travel & Leisure and IT innovations in the GSA operations have lent your Group fluidity, agility and efficiency.

Transformative CSR

As a responsible corporate citizen, Expolanka continues to actively engage all segments of stakeholders. Together with our business units, Expolanka has championed a growing diversity

of programmes and initiatives to give back, truly embracing what we believe to be sustainable and transformative CSR. We believe transparent reporting of sustainability practice to be core to our overall holistic reporting approach. As a result, we continue to report against Global Reporting Initiative (GRI) G4 criteria in an integrated reporting structure; an approach that we believe pays great dividend in creating greater access to information on how we do business.

Good governance a priority

I must assure our shareholders that Expolanka is committed to maintaining the highest standards of corporate governance throughout the Group. Continuous improvement of the corporate governance system is a key long-term strategic priority. Successful development, improvement and systematization of applicable corporate governance guidelines and rules are framed and supported by the governance ethic of both Expolanka and SG Holdings. Therefore, this fusion of interest in good governance remains key to the sustainable development of your Company.

Moving forward

Throughout the challenges and opportunities presented in the past three decades, we have remained steadfast and nimble, adapting to new market trends and innovating to stay relevant to all our stakeholders. This has meant reorganisation and realignment to meet future challenges and seek out opportunities for future growth. It has been a couple of challenging years for our teams Group-wide, requiring commitment to vision and dedication to go against accepted convention.

With the continued support of all our stakeholders, I believe that Expolanka is well positioned to overcome obstacles that will come our way as we continue to strive for organisational and business excellence. We remain committed to improving efficiencies in operations and differentiating ourselves in the market place through customer focused innovation in product and services, so as to build a stronger and sustainable future of your Company. Moreover, the commitment of SG Holdings (SGH) of Japan towards your Company remains resolute – demonstrated by a controlling stake - with resources, linkages and global access of the SGH Group open for Expolanka Group to explore and expand upon. Going forward, I as your Chairman, sees daring new opportunities for the future.

Let me extend my tributes and appreciations to the Expolanka team for a job well done. Thank you to our Board of Directors, the Management team and of course to our customers. We stay committed to serve all our stakeholders.

Respectfully,

Nobuaki Kondo
Chairman

Colombo, Sri Lanka

CEO's Review

"Year 2014/15 was, in essence, a year in which we refined the execution of our corporate strategy, redefining the scope of our business to become a global corporate. This global stance has been furthered through our association with SG Holdings of Japan."

Global economy recovers marginally

The global economy struggled to gain momentum in 2014/15. The legacy of the global financial crisis continued to protract recovery and even though in 2013/14, the recovery seemed imminent, the rate of global growth slowed in 2014 to close at 2.4 percent, a marginal 0.1 percent up from the previous year. As a result, many high-income countries continue to battle the continued effects of the financial crisis whilst emerging economies lost vitality. Beneath these headline numbers, however, economists are pointing out the emergence of increasingly divergent trends that are at play in major economies.

While economic activity in the United States and the United Kingdom appeared to recover, Europe continued to be afflicted by the legacies of the financial crisis exacerbated by structural bottlenecks. China, initiated a managed slowdown whilst other emerging economies demonstrated stagnant growth arising from not only weak external demand, but also domestic policy tightening, political uncertainties and supply-side constraints.

Several major forces shaped the global outlook: soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economies; and weak world trade. In particular, the sharp decline in oil prices since mid-2014 supported global activity and helped offset some of the headwinds to growth in oil-importing developing economies. However, growth prospects for oil-exporting countries dampened, with significant regional repercussions.

Growth amidst change

The growth momentum of the Sri Lankan economy continued on track. The economy that was initially projected to grow in real terms by 7.8 percent, recorded a growth of 7.4 percent in 2014, in comparison to the growth of 7.2 percent in 2013. Growth stemmed primarily from the Services sector, which represents 57.6 percent of GDP, grew by 6.5 percent in 2014 compared to the growth of 6.4 percent in 2013. The share of the Industry sector within GDP increased further to 32.3 percent, with a sectoral growth of 11.4 percent in 2014 compared to 9.9 percent in the previous year. Meanwhile, affected by extreme weather conditions, the Agriculture sector, which represents 10.1 percent of GDP, contributed only marginally to real GDP growth.

Inflation declined further to low, single digit levels during the year spurred by prudent monetary policy as well as the considerable decline in global commodity prices in the second half of the year.

Sri Lanka's social indicators continued to improve, enabling the country to maintain its foremost position in terms of social developments amongst emerging markets and regional peers.

Fused on strategy

Nevertheless, our shareholders will be pleased to note that Expolanka Group remained resolute in pursuing its strategic priorities for the year. The Group continued to place concerted focus on achieving predetermined objectives as discussed in the previous two reporting periods. We pursued with persistence our strategy towards reconfiguration – bringing to the fore and focus, key areas of growth, shedding non contributory pillars of the business whilst further investing towards the businesses that have the potential to deliver value through enlargement of scale and enhancement of returns.

In the further implementation of the three year strategic plan – as outlined in our Annual Report & Financial Statements for 2013/14 -, Expolanka continued to execute business reconfigurations in 2014/15, the Group further de-invested non-key sectors aimed at better optimization of the Group's resources towards key growth sectors. Resources were thus re-allocated for greater returns and know-how integrated to optimise long-term business sustainability. Intense cost-benefit analysis and ROI mapping to match structural changes to our operational environment, industry shifts and consumer transformations have given way to a series of hard yet high return decisions. The intention of the re-engineering efforts was to divest businesses that were falling below performance benchmarks and projected growth patterns. Returns, scalability and scope remained the critical criteria in the divestment analysis.

Alongside this strategy of focus on core, the achievement of operational excellence and cost optimization, instilling a strong customer culture and deriving sustainable value through a shift to a value-based business model vs. transaction-based model has been crucial. We also focused our attention towards maintaining profitable balance sheet growth, the development of a competent, engaged and motivated team, and brining focus to greater governance, transparency and compliance whilst also undertaking transformative corporate social responsibility. During the financial year we moved with progress towards

realizing these medium term strategies. I will elaborate on our successes and of course the challenges and shortcomings later on in this review.

From a strategic sector wise perspective, our shareholders will note that in 2014/15, we furthered our intent to structurally change the dynamics of each sector. Our focus has been to become a leaner, agile and competitive business. Towards this end in the reporting period, we continued to shed businesses that failed to fall within the framework of potential returns, and as such, these divestments have yielded sectors that are now ready for optimal contribution to Group growth, in the medium to long term. In other cases, sector-wide businesses were re-engineered to value-based platforms that are globally competitive.

Our drive towards a value-based business model is in response to evolving business challenges. Most predominant of these has been a consistent erosion of margins despite sustained volume growth. We have witnessed enlargement of competitive rivalry in the global front, which has challenged sustainability of returns. However, going forward, we are confident that our embracement of a solutions-based business model, wherein we strive to create greater linkages with our customer's value chain through the offer of value added services, will enable us to minimize the impact of margin pressure. We are already witnessing the positive outcomes of this strategic refinement on our operations in Sri Lanka and India. In the upcoming year, we are hopeful of witnessing same in Bangladesh, where the strategy is currently being rolled out.

Year 2014/15 was, in essence, a year in which we refined the execution of our corporate strategy, redefining the scope of our business to become a global corporate. This global stance has been furthered through our association with SG Holdings of Japan, which invested into the Group at the early part of this financial year to secure a controlling stake (51 percent) of Expolanka. The association and investment with SG Holdings is all the more pertinent, given the Sagawa Group's interest in Freight & Logistics. The collaboration facilitates Expolanka's foray into the global arena and has enabled your Group to expand its' footprint into Asia and establish a foothold into the subcontinent. The synergies from the partnership are many and the intention is to explore these synergies further in the future. The important point to note, of course, with respect to this collaboration is that SG Holdings invested into your Company on the strength of our strategy and therefore, as we move forward, we do so with the assurance of sustenance of this same strategy. Notable is the fact that we are one year into post-collaboration with SG Holdings, a period wherein the integration has been managed successfully.

Our shareholders will appreciate that your Company, is now indeed, a global corporation.

Fused on performance

Despite the challenging global and national context and as result of the acceleration of strategy implementation in line with the Group's strategic plan, Expolanka Group recorded commendable performance during the year with marked indication of sustained value creation for the medium term.

Despite intense pressure on margins, your Group sustained profitability posting a pre tax profit of Rs. 1.3 Bn and an after tax profit of Rs. 1 Bn. The Group's balance sheet as at 31st March 2015 remained healthy with a comfortable asset: liabilities balance whilst sustaining sound ratios, across the board.

Summing up, 2014/15 was one of commendable performance, where our strategy over the past two years to concentrate on core business commenced to pay dividends. In fact, we attribute this concerted focus on core business, a robust strategy and the quality of our HR as the prime basis for Expolanka gaining recognition across industrial sectors and global borders as a veritable commercial powerhouse during the financial year.

Sector-wise snapshot

Freight & Logistics retained its position of leadership as the core contributor to Group's consolidated performance during the reporting period, as in the previous financial year. The sector furthered investments towards transformative value generation, with the enlargement of solution-based services.

During the financial year, the sector highlight was the commencement of operations of the Expo Global Distribution Centre (EGDC), a value-added bonded warehousing facility under the free-port regulations at the Katunayake Export Processing Zone. The EGDC – a joint venture between Expolanka and Brandix Lanka Limited - provides a range of value added logistics services at point of origin to freight customers through the management of their supply chain effectively. As a first if its kind in Sri Lanka, Expolanka considers this is an

important milestone not only for the Group but also for Sri Lanka as a country. The EGDC pitches Sri Lanka on par with free ports such as Dubai and Singapore, an the commercial hub facility has served to place Expolanka as prominent player in Sri Lanka's Freight and Logistics sector.

Moreover, the Freight & Logistics sector furthered its stance of leadership with the strengthening of the sector's global network, as network expansion led to further establishment in both traditional and emerging markets, uplifting the credibility of the brand. Investments into the sector by way of IT integration and the roll out of the global ERP system during the year has paved the way for optimal leveraging of the sector's efficiency through greater integration, effectively addressing long-term operating cost challenges. However, from an operational perspective, the sector encountered challenges in the first half of the year, due in large to weak demand in the US trade lane. However, focused efforts to mitigate this, enabled the sector to record healthy growth towards the latter part of the financial year. Pressure on margins continued to be a cause for concern, despite healthy growth in volumes. Innovation of product and service, and the successful integration of value added solutions based business enabled the sector to offset the effect of eroding margins.

The Travel & Leisure sector undertook bold and ambitious steps towards entering the next generation of travel business by dissecting the traditional travel markets into specialist niches. This enabled the sector to offer unique services to specific target audiences, especially high yield targets. As such the sector established a number of yield centric operations that tap the needs of modern, tech driven customers who rely on new/digital media to initiate and complete travel transactions. The creation of value and solution based offers through numerous solution specific brands have served to infuse dynamic innovation to the business and the expansion of revenue streams has augmented the periphery of business, developing new business. The sector also sought to optimize returns from established linkages and thereby developed a brand to offer B2B services to the travel trade. Classic travels continued to maintain its position as performance leader, and demonstrated a commendable enhancement of performance during the financial year.

The sector's MICE and destination management arm Akquasun witnessed positive gains, reversing a situation of financial losses, which were evident over the past two financial years. The turnaround is directly attributable to the restructure initiatives undertaken in 2013/14. The company's network of operations expanded to over 10 countries, reaping dividend from the franchise model adopted in the previous financial year to truly position it as a global B2B business.

International Trade & Manufacture underwent further reconfiguration with a series of divestments subsequent to opportunities having arisen to realize a value gain. Due to the volatility of the tea plantation operations and the inability of this component of the business to yield sustainable contribution to Group performance, the Group divested its interests in plantations and tea in the third quarter of the financial year. Given that the sector concentrated on bulk exports and given the intense volatility of the industry in the global marketplace, the divestment assisted the Group to refocus resources towards more critical growth areas. The herbal pharmaceuticals sub sector represented by the brand Baraka was also divested during the year, subsequent to a thorough analysis of the future growth potential of the brand, and the realisation that growth fell short of Group's strategic requirements. In looking to the future, consolidation of the sector's business is key to how the Group re-invents its value generation.

Investment & Services underwent further consolidation with strengthening of the GSA business during the year.

Fused on governance

During the financial year, in line with our strategic priority to further sharpen our governance and risk frameworks in line with global corporate benchmarks, we persisted towards embodying risk and governance frameworks across the entirety of the business in a cohesive and consistent manner. With the implementation of a strategic enterprise risk management framework, we hope to integrate scientific tools to achieve a better compliance and risk purview.

We have taken it upon ourselves to raise the bar and as such we have integrated aspects that are reflective of good practice which are over and above stated minimal requirements. The augmentation of the risk and governance framework to incorporate customer responsibility has resulted in the modulation of customer charters across sectors that strongly embrace every aspect of fair-trading.

We continued to re-orientate to a value based culture and modulated the structure to be more efficient in facilitating value. Our efforts towards developing and retaining the best team in the industry continued to draw fruition as we witnessed a marked improvement in retention. We were also better able to

control staff costs in relation to inflation, thus upping the derived efficiency of human resources. On the HR front, the Group has, through its culture, fostered an employee base that is of the best in the industry.

Fused on transformative sustainability

Sustainability remained a core priority during the year, and as in the past we focused on integrating sustainability into the business function. In fact, I can confidently say that the Group in pursuing business continuity also simultaneously ensures the sustainability of people, planet and prosperity for all stakeholders. In 2014/15, the Group's business strategy has perceptively been transformative. Our business model, now more than ever, reflects the importance of value generation. Our over-riding, strategic frameworks, our sector wise mechanisms and systems in place are built to generate value to our customers whilst the quality of financial performance is a reflection of the sustainability of our business. I reiterate, that ours is a business model that is driven by long-term sustainability objectives where transformative value generation is a priority.

In 2014/15, our sustainability strategy was intensified in the area of environmental citizenship, people progress and economic wealth creation. Global covenants and standards on labour and human rights as laid out by the International Labour Organisation are the premise on which we have built a fair and ethical workplace. We deepened our outlook on green business and made sound progress towards the modulation of transformative CSR strategies with a view to create deeply ingrained transformative impacts on sustainability agendas. Our focus has been the drive towards transformative action for entrepreneurship and environmental sustainability. More can be read on these initiatives throughout this integrated report.

Our stakeholders will be interested to note that we lay equal emphasis on our social reporting process as we do to our financial reporting process. We believe it is through sustainability reporting that we can induce inclusive engagement and responsiveness and that is one of the key means by which we can validate the authenticity and transparency of our sustainability efforts. In 2014/15, to show our commitment to the sustainability reporting process, as we have done in the past three years, we report against in accordance "core"/G4 criteria of the Global Reporting Initiative (GRI).

Fused on the future

As we look to the year ahead, our expectations are to further perpetuate a value culture across the organization. In short, our future expectation will be to maintain our core strengths – continue to grow our businesses to become global leaders whilst sharpening the quality and efficiency of our resources, maintain good governance and be a responsible leader. We will continue to value for all our stakeholders and take leadership as a trusted corporation in the global arena. We will fuse our Sri Lankan roots with global expertise and take Sri Lanka to the world. We remain committed to our vision to be the foremost blue chip conglomerate not just within but also beyond borders.

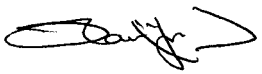
Appreciations

My deepest gratitude to the Chairman Mr. Nobuaki Kondo and my fellow Board of Directors for their continuous and consistent support, encouragement, wisdom, input and guidance towards making Expolanka an organization of excellence.

Thanks are also due to my fellow Executive Management members, who ably seized the moment and worked with strategic vision and diligence to meet our corporate objectives for this financial year. Appreciations are due to the entire Expolanka team, who persevered and showed tremendous dedication at all levels to realize our transformation over the last two years and achieve not only our business targets for this year but also to stay attuned to the business strategy for the medium term. A big thank you to all of you.

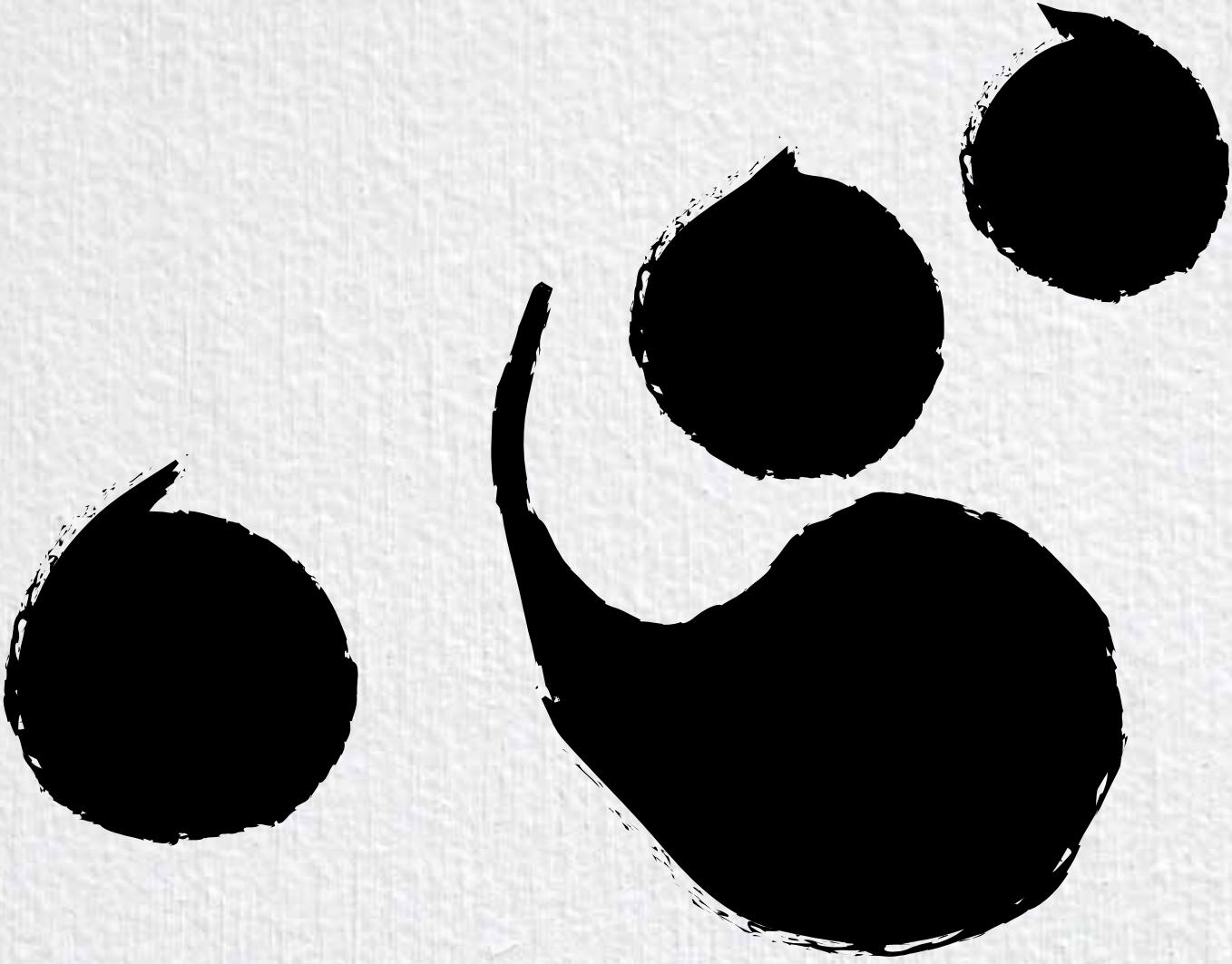
At the commencement of the financial year 2014/15, Expolanka's "visionnaire extraordinaire" Mr. Osman Kassim, stepped down as Chairman. Mr. Kassim needs to be credited as the catalyst for Expolanka's exponential growth over the past decade. His vision for the Group is what we are executing today. Our achievements are a realization of his strategies. Our appreciation for his stewardship cannot be quantified. Thank you, Sir. We are honoured that you remain on the Directorate, guiding us as we move forward, resolutely.

The future is ahead of us; let us fuse our visions today to transform tomorrow.



Hanif Yusoof
Group Chief Executive Officer

Colombo, Sri Lanka



Heart

At the heart of it all

THE BEAT OF OUR HEART MAKES A DRAMATIC IMPACT ON LIFE AND IN BUSINESS. THAT IS WHY OUR PASSION FOR EXCELLENCE FROM A PLACE OF DETERMINATION AND UNDERSTANDING THAT EVERY ACTION, NO MATTER HOW SMALL AFFECTS THE BIGGER PICTURE.

Board of Directors

G4-LA12 →

01 02 03 04 05

01 Toji Shiho - Non-Executive Independent Director
02 Harsha Amarasekera - Non-Executive Independent Director
03 Yoshifumi Matsubara - Non-Executive Non Independent Director
04 Naosuke Kawasaki - Non-Executive Non Independent Director
05 Osman Kassim - Non-Executive Director

06 07 08 09

06 Nobuaki Kondo - Chairman of the Board
07 Hanif Yusoof - Executive Director and Chief Executive Officer
08 Motonori Matsuzono - Non-Executive Non Independent Director
09 Sanjay Kulatunga - Non-Executive Independent Director

Board of Directors Profiles

Nobuaki Kondo
Chairman of the Board

Nobuaki Kondo is a Representative Director of SG Holdings Co. Ltd and he has held this position since March 2012. A graduate from the Faculty of Engineering of Kansai University, Kondo commenced his career in 1981 at Kyoto Sagawa Express Co., Ltd., (Kansai branch of Sagawa Express Co., Ltd. at present). With over 34 years' of experience in delivery and logistics business under his belt, Kondo has held several executive positions and directorships at SG Holdings Group during his career.

Hanif Yusoof
Executive Director and Chief Executive Officer

Hanif Yusoof is an Executive Director and the Chief Executive Officer of the Group. In addition to being one of the founding members, he has been a cornerstone in building and expanding the Freight & Logistics sectors of the Company. He has served as President of the Freight Forwarders Association of Sri Lanka in addition to being on the UN/ESCAP panel of trainers for freight forwarding. His enterprising nature has led him to be well admired and he was the recipient of the 'Asia Pacific Entrepreneurship Special Achievement Award' by Enterprise Asia in 2013. His other achievements include being awarded for 'Global Commerce Excellence' in light of contributions to the Sri Lankan economy by the Central Bank of Sri Lanka in 2012 and receiving the "'The Outstanding Young Persons - TOYP Award" in 1998. In 2013, he was among those 10 individuals recognised by LMD magazine in their coverage of 'Business People of the Year'.

Naosuke Kawasaki
Non-Executive Non Independent Director

Naosuke Kawasaki is the Managing Director of SG Holdings Global Pte. Ltd. in Singapore and has held this position since March 2013. He is also a Representative Director and President of SGH Global Japan Co., Ltd in Japan. A Bachelor of Law from the University of Kyoto in Japan, Kawasaki has held several senior management positions and directorships in companies ranging from financials services to logistics businesses during a career spanning over 36 years.

Motonori Matsuzono
Non-Executive Non Independent Director

Motonori Matsuzono is the General Manager - Finance and Accounting at SG Holdings Global Pte Ltd. A graduate from the Business Administration department of the Kobe University in Japan he worked in the Finance and Accounting area of Nippon Sheet Glass Group for 26 years prior to joining SG Holdings Global Pte Ltd. He has held several management positions of Finance and Accounting department of Nippon Sheet Glass Co Ltd and its overseas subsidiaries for over 10 years.

Yoshifumi Matsubara
Non-Executive Non Independent Director

A graduate from the Department of Law at Waseda University, Yoshifumi Matsubara built his career at NEC Corporation, mainly involved in sales and marketing of the group outside of Japan. He has experience in markets covering Philippines, Vietnam and Thailand. In July 2012, Matsubara resigned from NEC and joined SG Holdings Japan.

Osman Kassim
Non-Executive Director

He was the founder Chairman of The Expolanka Group. He is an entrepreneur with vast experience in the fields of management and strategy. He is also renowned for his expertise in Islamic Banking and Insurance. He counts over 35 years of senior management experience. Osman Kassim is also the Chairman of Amana Bank and Vidullanka PLC. He also holds directorships in Pak-Kuwait Takaful Company Ltd – Pakistan, Crescentrating (Private) Limited – Singapore and Amana Takaful Maldives Limited – Maldives. He is also Chairman of the Asia Pacific Institute of Information Technology (APIIT) in Sri Lanka. He has an Honorary Doctorate from the Staffordshire University in recognition of his achievements as both a global entrepreneur and visionary educationalist.

Toji Shiho

Non-Executive Independent Director

A graduate from the Department of Law at University of Kyoto in 1977, Toji Shiho commenced his career at Nissan Motor Co., Ltd. of Japan. Having extended his career in a wide variety of responsibilities,he retired from Nissan in 2013, after a continued service of more than 36 years. During the last 20 years of his career, Shiho was involved in various corporate projects for business developments, business restructurings as well as mergers and acquisitions (M&A). Following his retirement, Shiho started his own consultancy business for M&A, aiming to provide professional advice and support pertaining to M&A to companies both in Japan and abroad. In addition, he has been lecturing on M&A and Corporate Governance at the Accounting School of Chuo University of Japan since 2012. Shiho holds a MBA in Finance, Accounting and Law from the Graduate School of Finance, Accounting and Law, Waseda University of Japan.

Sanjay Kulatunga

Non-Executive Independent Director

Sanjay Kulatunga has experience as a founder and an Executive Director in a diverse array of industries ranging from Finance, Export manufacturing and Import substitution. He holds a series of non-Executive Directorships in listed as well as unlisted companies. He also served on the Financial Sector Stability Consultative Committee of the Central Bank of Sri Lanka. Sanjay Kulatunga has an MBA from the University of Chicago 'Booth School of Business'. He is an Associate member of the Chartered Institute of Management Accountants (ACMA) as well as a Chartered Financial Analyst (CFA).

Harsha Amarasekera

Non-Executive Independent Director

Independent Director Harsha Amarasekera, President's Counsel is a leading Lawyer in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Courts, specialising in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. He also serves as an Independent Director in several leading listed companies in the Colombo Stock Exchange including Vallibel One PLC, CIC Holdings PLC, Chevron Lubricants Lanka PLC, Amana Bank PLC, Keells Food Products PLC, Amaya Leisure PLC, Vallibel Power Erathna PLC and is also a Director of CIC Agri Business (Pvt) Ltd. Harsha holds the position of Chairman at CIC Holdings.

Senior Management Team

Abdullah Kassim
Managing Director
- Neptune Papers (Private) Ltd

Asitha Jayatunga
Director - Group Human Resources
- Expolanka Holdings PLC

Asitha Kaggoda
Head of Group IT
- Expolanka Holdings PLC

Imdadh Marikar
General Manager
- Expolanka (Pvt) Limited

Jagath Pathirane
CEO
- Expolanka Freight (Private) Limited

Kanishka Wijesinghe
Director
- Expolanka Airline Division

Mohamed Ziauddin
Managing Director
- Norfolk Foods (Pvt) Ltd

Mushtaq Ahamed
Director – Group Finance
- Expolanka Holdings PLC

Mohamed Rizan
Jt. CEO
- Neptune Papers (Private) Limited

Niroza Gazzali
CEO - SG Logistics (Private) Limited

Paddy Weerasekera
Head of Marketing, Corporate Communications & CSR - Expolanka Holdings PLC

Suresh Mendis
CEO - Classic Travel (Private) Limited

Shantanu Nagpal
Head of Strategic Planning & Business Development -Expolanka Holdings PLC

S Senthilnathan
COO - Expolanka International (Private) Limited

Saif Yusoof
Director - Expolanka Freight (Private) Limited, Classic Travel (Private) Limited

Senior Management Profiles

Mr Asitha Jayatunga
Professional experience of 16 years. MBA from the Edith Cowan University, Australia; GPHR & SHRM-SCP; Post Graduate Diploma in HRM from the University of Kelaniya; Professional Post Graduate Diploma in Marketing from CIM UK.

Mr Asitha Kaggoda
Professional experience of 14 years, including 13 years in the Group. MSc on Information Technology from Keele University, UK; Project Management Professional (USA) Certification; Projects In Controlled Environment (PRINCE2/ UK) Certification; ITIL (v3) Foundation Certification; CISCO Certified Network Associate and Certified Lotus Notes Professional (IBM).

Mr Jagath Pathirane
Professional experience of 22 years in Freight & Logistics. Incumbent Treasurer of the Sri Lanka Freight Forwarders Association, former Secretary of both the Association of Container Depot Operators and the Association of Container Transporters; Member of the European Chamber of Commerce Sri Lanka, Member of Sri Lanka Institute of Directors, Member of Millennium Toastmasters Club and mentor at the Moratuwa University Mentoring Programme.

Mr Suresh Mendis
Professional experience of 38 years. IATA worldwide qualification issued by Air Lanka, along with an ACMA Foundation 'A' qualification; Former President of the International Air Transport Association (IATA) Agents Association of Sri Lanka for two terms; Council Representative of the IATA, Bronze Award for Outstanding Performance at the Expolanka CEO Awards 2009.

Mr Senthilnathan Shanmugam
Professional experience of 35 years. With experience divided across the six continents, Senthil steers the business across the globe and is at home in as many as 15 countries. He joined Expolanka in 1996 and transformed it from humble beginnings to its present status as one of the leading forwarders in the region.

Mr Mushtaq Ahamed
Industry experience of 17 years. MBA from University of Colombo ; Bachelor of Science Honors degree in Business Administration (Finance Special); Associate Member of both the Institute of Charted Accountants of Sri Lanka and Chartered Management Accountants of Sri Lanka.

Mr Kanishka Wijesinghe
Professional experience of 32 years. Qualified in Airline Marketing with IATA and certified in airline management, marketing, sales, operations, customer relations and in human relations with several International Airlines; Fellow (FCMI) Membership award status from the Charted Management Institute CMI-UK; Expert Supply Chain Management (ESCM) status from the IoSCM ((Institute of Supply Chain Management) UK; certification from the International Purchasing & Supply Chain Management Institute – USA (IPSCMI; former President of the Sri Lanka Airline Cargo Association (SLACA) consisting of all on line and offline Airline representation memberships.

Ms Niroza Gazzali
Professional experience of 23 years. Niroza has in-depth knowledge of freight forwarding operations in both air and ocean. She has spent almost 13 years with the group, previously serving as Manager of Ocean Freight at Expolanka Freight Limited. In 2009, Niroza's expert guidance won her the gold award for outstanding performance at the Expolanka CEO Awards.

Mr Paddy Weerasekera
Professional experience of 22 years. MBA from the University of Wales (UK); DipM, Chartered Institute of Marketing (UK), FCIM; Certified Management Accountant (CMA, Australia); "Distinguished Brand Leader Award" at the prestigious Asian Leadership Awards 2011.

Mr Mohamed Rizan
Industry experience of 09 years. Bachelor of Business Administration (Special) from the University of Colombo; Finalist, Institute of Chartered Accountants of Sri Lanka.

Mr Saif Yusoof
Industry experience of 7 years. Bachelor of Business Administration with a specialization in Integrated Supply Management from the Haworth College of Business at Western Michigan University; the Business Studies Programme at Sunway College, Malaysia; Member of the Council of Supply Chain Management Professionals.

Mr Abdullah Kassim
Professional experience of 7 years. MSc in International Business from the Manchester Business School, University of Manchester; BA (Hons.) in Business Administration, First Class from Staffordshire University, UK;

Mr Shantanu Nagpal
Industry experience of 20 years. MBA from INSEAD in France (Misys Scholar on the Dean's List); Bachelor's degree in Philosophy Politics and Economics at Oxford (Radhakrishnan Scholarship).

Mr Mohamed Ziauddin

Professional experience of 39 years. MSc. in Technological Economics, from University of Sterling UK; Post Graduate Diploma in Management Studies from the Luton Management Centre UK; Higher National Diploma in Food Technology from South Bank Polytechnic, UK. Ziauddin; Associate Member, British Institute of Management; Associate of Institute of Food Science Technology, UK; and a Member of the Royal Society of Health, UK; Holds five International Patents on inventions relating to food processing technology.

Mr Imdadh Marikar

Professional experience of 12 years in International Trade. MBA from the University of Southern Queensland, Australia; Bachelor's Degree on Management & Information Systems from the University of London, UK; Professional Post Graduate Diploma from Chartered Institute of Marketing (CIM UK). He also represents the Company as the Secretary to the very influential Lanka Fruit & Vegetable Producers, Processors and Exporters Association.

Clarity

Created with Clarity

LINEAR, STREAMLINED AND PRECISE- LIKE THE CHARACTERS ON THE PAPER, OUR STRATEGY FOR THE FUTURE REMAINS OPTIMISTIC AND CLEAR. AND THE YEAR AHEAD HOLDS MUCH PROMISE AND POSSIBILITY FOR DEVELOPMENT.

Management Discussion & Analysis
Group-Wide Commentary

GLOBAL ECONOMIC TREND

Global Economy Remains Stagnant

The global economy continued to expand albeit marginally during 2014. Evident was moderate growth, although marked by an uneven pace, with growth trajectories inconsistent during the four quarters. The protracted effects of the global financial crisis seemed core in the delayed recovery process as the world economy battled with post-crisis challenges. Aside from the financial and economic constraints, human losses and cost of human safety pushed resources towards stemming of a fresh onslaught of Ebola and curbing the human disasters in conflict-ridden Middle East. Global recovery therefore faced a number of unexpected shocks, such as the heightened geopolitical conflicts in various areas of the world.

Growth of world gross product (WGP) is estimated to be 2.6 percent in 2014, marginally better than the growth of 2.5 percent registered in 2013, but lower than the 2.9 percent projected for the year at the beginning of 2014. All major developed countries demonstrated erratic movements in quarterly GDP growth rates. However, noteworthy is the fact that for the year as a whole, all major developed economies in North America, Europe and developed Asia aligned on an upward growth trajectory for the first time since 2011. This does not however, indicate healthy growth across all economic fronts. Whilst the US maintained an annual growth rate above 2 percent, Europe, particularly in the Euro zone continued to witness weak growth, impaired by impending recession. At the end of 2014, official EU projections put the 2014 growth rate for the Eurozone at 0.8 percent.

Europe and Japan cumulatively, renewed the significance of downside risks for the world economy. On the positive side, the aggregate GDP of the new EU member States is expected to grow by 2.9 percent in 2015 and 3.3 percent in 2016, compared with an estimate of 2.6 percent in 2014, and may signal the onset of a positive trend in the upcoming year.

Growth rates in developing countries and economies in transition became more divergent during 2014 with Latin America and the Eastern Europe (particularly the CIS) demonstrating a sharp deceleration in the pace of growth brought on by country-specific challenges. In contrast, East Asia, including China, managed to register relatively robust growth, while India led South Asia to a moderate strengthening.

Subcontinent Performance & Trends

In South Asia, growth rose to an estimated 5.5 percent in 2014 from a 10-year low of 4.9 percent in 2013. The upturn was driven by India, the region's largest economy, which emerged from two years of modest growth. Regional growth is projected to rise to 6.8 percent by 2017, as reforms ease supply constraints in India, political tensions subside in Pakistan, remittances remain robust in Bangladesh and Nepal, and demand for the region's exports firms.

Growth in developing Europe and Central Asia is estimated to have slowed to a lower-than-expected 2.4 percent in 2014 as a sputtering recovery in the Euro Area and stagnation in Russia posed headwinds. In contrast, growth in Turkey exceeded expectations despite slowing to 3.1 percent. Regional growth is expected to rebound to 3 percent in 2015, 3.6 percent in 2016 and 4 percent in 2017 but with considerable divergence.

The East Asia and Pacific region continued its gradual adjustment to slower but more balanced growth. Regional growth slipped to 6.9 percent in 2014 as a result of policy tightening and political tensions that offset a rise in exports in line with the ongoing recovery in some high-income economies. The medium-term outlook is for a further easing of growth to 6.7 percent in 2015 and a stable outlook thereafter, reflecting a gradual slowdown in China, which will be offset by a pick-up in the rest of the region in 2016-17.

The "Signs" in Q1 2015

The dramatic decline in the price of oil is changing the economic landscape. Driven by weak demand and an enlargement in output in the United States and elsewhere, oil producing economies have started weaken,

furthered by suppressed inflation in developed economies and appreciation of the USD.

The shift in US monetary policy during the past year and the expected increase in short-term US interest rates in 2015 are influencing currency values around the world, especially in emerging markets. The necessity of maintaining high interest rates in order to prevent severe currency depreciation has led to much slower growth in many emerging markets.

Weaker growth and low inflation in the Eurozone, Japan, and China are offsetting the positive global impact of a rebound in theUS economy. In Europe, Japan, and China, a more aggressive monetary policy is the principle tool used by governments in attempting to revive growth. However, a consensus has developed that greater structural reforms will be needed if sustained growth is to be attained.

References:

Global Economic Prospects, World Bank Global Economic Outlook 1st Quarter 2015; Deloitte University Press World

SRI LANKAN ECONOMY MAINTAINS MOMENTUM

The growth momentum of the Sri Lankan economy persisted, while inflation declined further to low single digit levels during the year. The economy that was initially projected to grow in real terms by 7.8 percent, recorded a growth of 7.4 percent in 2014, in comparison to the growth of 7.2 percent in 2013.

Amidst uneven developments in the global economy, continued domestic economic activity helped sustain the growth in the Industry and Services sectors, while adverse weather conditions dampened the performance of the Agriculture sector during the year. In nominal terms, GDP amounted to Rs. 9,785 billion (US dollars 74.9 billion) in 2014, compared to Rs. 8,674 billion (US dollars 67.2 billion) in 2013. Accordingly, GDP per capita increased to US dollars 3,625 in 2014 from US dollars 3,280 in the previous year.

Inflation remained at single digit levels for the sixth consecutive year, with year-on-year and annual average inflation declining to 2.1 percent and 3.3 percent, respectively, by end 2014, from 4.7 percent and 6.9 percent, respectively, at end 2013. Prudent monetary policy as well as the considerable decline in global commodity prices in the second half of the year enabled the deceleration of inflation to low single digit levels during the year.

Overall, the trade deficit widened in nominal terms during the year, although inflows from trade in services and workers' remittances supported the reduction of the deficit in the current account. This, together with other financial inflows, helped strengthen the balance of payments (BOP), and hence gross official reserves. Meanwhile, in the fiscal sector, despite the government's announced commitment towards fiscal consolidation, the overall fiscal deficit increased to 6.0 percent of GDP in 2014 from 5.9 percent of GDP in the previous year, mainly as a result of the continued shortfall in revenue collection. Nevertheless, public debt as a percentage of GDP declined to 75.5 percent by end 2014 from 78.3 percent by end 2013. In the financial sector, the strengthened regulatory and supervisory framework, improved risk management capabilities and adequate buffers to mitigate risks, enabled financial institutions to remain resilient during the year.

Consumer price inflation, which has remained at single digit levels since early 2009 with prudent monetary management and improved supply conditions, declined further to low single digit levels in 2014, as a result of the pass through of favourable international commodity price movements to domestic prices during the second half of the year. Year-on-year headline inflation, which was at 4.7 percent by end 2013 declined to 2.1 percent by

end 2014. Downward adjustments in administratively determined energy prices and water tariffs lowered inflation during the last quarter of the year, although weather related disruptions to food supplies adversely affected price levels in some months. Meanwhile, year-on-year core inflation remained in a range of 3.1 percent to 3.9 percent throughout the year, reflecting subdued underlying demand pressures in the economy. Annual average headline and core inflation were 3.3 percent and 3.5 percent, respectively, in 2014, compared to 6.9 percent and 4.4 percent, respectively, in 2013. The efforts of the Central Bank to maintain inflation at single digit levels, along with the support of fiscal authorities, helped build up favourable inflation expectations in the economy.

The **economy grew by 7.4 percent** in real terms in 2014 compared to the growth of 7.2 percent in the previous year, while the unemployment rate remained low at 4.3 percent during the year compared to 4.4 percent in the previous year. **The Services sector**, which represents 57.6 percent of GDP, grew by 6.5 percent in 2014 compared to the growth of 6.4 percent in 2013, with significant contribution from Wholesale and Retail Trade, Transport and Communication and Banking, Insurance and Real Estate sub sectors. The share of the **Industry sector** within GDP increased further to 32.3 percent, with a sectoral growth of 11.4 percent in 2014 compared to 9.9 percent in the previous year. The Construction sub sector recorded the highest contribution to the growth of the Industry sector while Food, Beverages and Tobacco and Textile, Wearing Apparel and Leather sub sectors within Factory Industry, also made substantial contribution to growth. Meanwhile, affected by extreme weather conditions, the **Agriculture sector**, which represents 10.1 percent of GDP, contributed only marginally to real GDP growth. The growth of the Agriculture sector was 0.3 percent in 2014, compared to 4.7 percent recorded in the previous year.

Addressing investment needs in economic and social infrastructure to facilitate sustained economic growth in post-conflict Sri Lanka continued to be a key priority in the government's development agenda. Several key infrastructure projects were completed during 2014. The construction work relating to a number of other mega infrastructure projects progressed during 2014. Meanwhile, several small-scale rural road improvement programmes, irrigation projects, water supply projects, rural electrification projects, housing development programmes and city beautification projects continued during the year. **Public investment on economic and social infrastructure development** amounted to Rs. 442.4 billion (4.5 percent of GDP) in 2014.

Sri Lanka's social indicators continued to improve, enabling the country to maintain its foremost position in terms of social developments amongst emerging markets and regional peers. Sri Lanka, the only country in South Asia in the 'high human development' category, reported an increase in the Human Development Index (HDI) to 0.750 in 2013 from 0.745 in 2012, thus raising its position to 73 in 2013 from 75 (revised) in the previous year. The government continued to offer free health and education services, while strengthening equitable access to and quality of these services. Government expenditure on health remained at 1.4 percent of GDP in 2014, and health sector indicators reflected moderate improvement. In 2014, the number of persons per doctor in the public health service was 1,155 compared to 1,167 in the previous year while the number of hospital beds available per 1,000 persons was 3.7 in 2014 compared to 3.6 in 2013. Government expenditure on education as a percentage of GDP was 1.9 percent. The school density in terms of the area covered by a school remained unchanged at 6.5 sq.km, while the student teacher ratio in the government education service also remained unchanged at 18. The level of electrification in the country improved further to 98 percent in 2014 from 96 percent recorded in 2013. Accessibility to safe drinking water improved to 89.7 percent in 2012/13 as per the Household Income and Expenditure Survey (HIES), compared to 87.7 percent in 2009/10. The country's telephone penetration including cellular phones continued to improve to 120 connections per 100 persons in 2014 from 112.4 in 2013. In terms of poverty indicators, as per the HIES, the poverty head count ratio (PHCR) in 2012/13 was 6.7 percent compared to 8.9 percent recorded in 2009/10. Many of these indicators stand well above the levels reported by peer economies, although continued efforts are necessary to fill the remaining gaps in economic and social infrastructure provision.

The external sector demonstrated its resilience in 2014 amidst headwinds originating from the global economic environment. As a percentage of GDP, the deficit in the trade account improved to 11.1 percent in 2014 from 11.3 percent in 2013. However, in nominal

terms, the trade deficit increased to US dollars 8.3 billion in 2014 from US dollars 7.6 billion in the previous year, as a result of a higher increase in the expenditure on imports compared to the increase in earnings from exports. With the considerable improvement in service exports as well as increased workers' remittances, the current account deficit narrowed to US dollars 2.0 billion in 2014 from the deficit of US dollars 2.5 billion in the previous year. As a percentage of GDP, the current account deficit was 2.7 percent in 2014, a notable improvement from 3.8 percent of GDP in 2013. Although some outflows were observed in the rupee denominated Government securities market towards the end of the year, other financial inflows, together with the improvement in the current account, helped improve the overall surplus of the BOP to US dollars 1,369 million in 2014 from US dollars 985 million in the previous year. Gross official reserves improved to US dollars 8.2 billion at end 2014 in comparison to US dollars 7.5 billion at end 2013. Gross official reserves as at end 2014 were equivalent to 5.1 months of import of goods, compared to 5.0 months at end 2013.

The country's external debt stock improved as a percentage of GDP to 57.4 percent in 2014 from 59.4 percent in the previous year, although in nominal terms it increased to US dollars 43.0 billion at end 2014 from US dollars 39.9 billion at end 2013. Meanwhile, the Sri Lanka rupee, which remained broadly stable against the US dollar in the first nine months of the year, depreciated thereafter, to record an annual depreciation of 0.23 percent in 2014. Real effective exchange rate indices, based on both 5-currency and 24-currency baskets, appreciated particularly during the last quarter of the year.

The government debt to GDP ratio continued to improve, recording 75.5 percent in 2014 compared to 78.3 percent in 2013. As a percentage of GDP, domestic debt and foreign debt of the government stood at 43.7 percent and 31.8 percent, respectively, at end 2014.

Monetary expansion was in line with expectations during the year, enabling the continuation of the relatively relaxed monetary policy stance. Year-on-year broad money (M2b) growth was 13.4 percent at end 2014 compared to 16.7 percent at end 2013. Proactive measures led to a further decline in market lending rates, resulting in the growth of credit to the private sector picking up to 8.8 percent by end year. In absolute terms, the overall increase in credit disbursements to the private sector amounted to Rs. 223.9 billion in 2014, in comparison to Rs. 175.9 billion in the previous year.

The upward adjustments to domestic energy prices in previous years, the decline in global petroleum prices in the second half of the year, and the addition of coal power generation capacity to the national grid, contained bank borrowing by key public corporations (net of deposits) to some extent, although borrowing by the Road Development Authority (RDA) and state owned fertiliser corporations increased. With the revival of private sector credit growth, the special SDF rate of 5 percent was removed with effect from 02 March 2015. To address concerns over the behaviour of market interest rates inconsistent with inflation as well as the investment needs of the country, the Central Bank reduced the SDFR and SLFR by 50 basis points each to 6.00 percent and 7.50 percent, respectively, with effect from 15 April 2015.

The financial system remained stable during the year, and measures were taken to strengthen the financial sector further. The acceleration in credit growth in the second half of the year, the increase in investments, and the growth in other assets, resulted in total assets of licensed commercial banks (LCBs) and licensed specialised banks (LSBs) growing by 17.3 percent in 2014 compared to 16.5 percent in the previous year. Asset quality of banks improved, as a result of the decline in non-performing loans in relation to the pawning portfolio. Liquid assets in the banking sector remained well above the stipulated levels. The performance of the Colombo Stock Exchange (CSE) improved considerably. The All Share Price Index (ASPI) increased by 23.4 percent to 7,299 while market capitalisation, also increased to Rs. 3.1 trillion by end 2014. Activity in the corporate debt market remained high, although there was a slowdown compared to the takeoff observed in 2013.

Going forward, the Sri Lankan economy is projected to reach upper middle-income levels in terms of per capita GDP, and sustain the favourable high growth and low inflation nexus in the medium term, supported by appropriate economic policies. The new government formed in January 2015, is expected to uphold policies of good governance and transparency, which would support a high growth path through improved investor sentiment and also lead to a more equitable distribution of benefits of economic growth. In addition to

balancing the tradeoff between growth and equity, the new government faces the enormous task of articulating a coherent medium term policy framework, which addresses possible shortcomings of previously announced policies as well as the challenges already identified. Addressing such challenges would be essential to realise the projected growth path as envisaged in the medium term, enabling the economy to achieve its full potential while maintaining macroeconomic stability in a more equitable environment.

Reference:
Central Bank of Sri Lanka Annual Report 2014 summary issued 29 April 2015 by the CBSL Economic Research Team/ www.cbsl.lk

GROUP FINANCIAL PERFORMANCE

Consolidated Financial Synopsis

Description	2014/15	2013/14	Change	Comments
Revenue	52,651,744,313	53,319,080,333	-1%	Freight and logistics sector revenue up by 17% driven mainly due to growth in volume by US & Europe Trade lane. Divestment of key ITM sector companies tea, healthcare and food catering businesses resulted a drop in sector turnover by Rs. 6 Bn. Increase in volume in B2B and MICE business from Akquasun group contributed the T&L sector revenue growth by 19%. Due to contraction in GSA business I&S sector revenue dropped by Rs. 1 Bn.
Cost of Sales	(44,134,636,204)	(44,861,033,605)	-2%	Decrease cost of sales was primarily influenced by the corresponding decrease in revenue levels. Higher freight rates impacted the freight and logistics sector cost of sales increase by 18%. However divestment of Teas, health care and food catering business reduce the ITM sector cost of sale by Rs. 6 Bn.
Gross Profit	8,517,108,109	8,458,046,728	1%	Global market conditions, higher freight rates and divestment in the International Trading and Manufacturing sector restricted the GP growth to 1%.
Other Income	477,458,504	996,992,641	-52%	Under the restructuring process, the Company divested few entities last year, which has resulted in a gain of Rs. 601 Mn compared to current year gain of Rs. 117 Mn.
Overhead	(7,538,872,117)	(7,286,179,062)	3%	Overhead cost were incurred due to process improvements and restructure. Revenue growth and inflationary impact too contributed for the overhead cost to rise. Concentrated efforts were taken through higher productivity and efficiencies to control the overhead cost.
EBIT	1,455,694,497	2,168,860,306	-33%	Decrease in other income contributed for the significant drop in EBIT.
Finance Charges	(153,953,246)	(266,872,996)	-42%	Divestment of key ITM sector companies tea, healthcare and food catering businesses and Retirement of borrowings substantially reduce the finance charges.
Share of profit of an associate and Joint venture	12,216,682	35,124,822	-65%	Loss in local Joint Venture (Expo Global Distribution Centre) is the key reason for the drop in associate and joint venture profit.
Profit Before Tax	1,313,957,932	1,937,112,132	-32%	Lower gross profit growth and other income were the key drivers for the fall in profit before tax.
Income Tax Expense	(266,475,125)	(366,990,970)	-27%	Focused efforts in better tax planning and tax management have resulted in better effective tax rates.
Profit for the year	1,047,482,807	1,570,121,162	-33%	Lower gross profit growth and other income were the key drivers for the fall in profit.
ROCE	8.94%	13.64%		Fall in ROCE and ROE was mainly due to lower operational profits
ROE	9.02%	14.58%		

Group Performance

Rs. Million	2014/15	2013/14	% Change
Turnover	52,652	53,319	-1.3%
EBIT	1,456	2,169	-32.9%
FC	154	267	-42.3%
PBT	1,314	1,937	-32.2%
PAT	1,047	1,570	-33.3%
Total Assets	21,993	21,867	0.6%
Total Equity	11,618	10,765	7.9%
Total Debt	1,819	2,701	-32.6%
Capital Employed	13,437	13,466	-0.2%
ROE	9.0%	14.6%	-38.2%
ROCE	8.9%	13.6%	-34.5%

Contribution to the Group

	Turnover	EBIT	Capital Employeed	Equity
Freight & Logistics	77%	103%	61%	62%
Travel & Leisure	5%	10%	3%	3%
International Trading & Manufacturing	16%	8%	8%	7%
Investment & Services	1%	-21%	27%	28%
	100%	100%	100%	100%

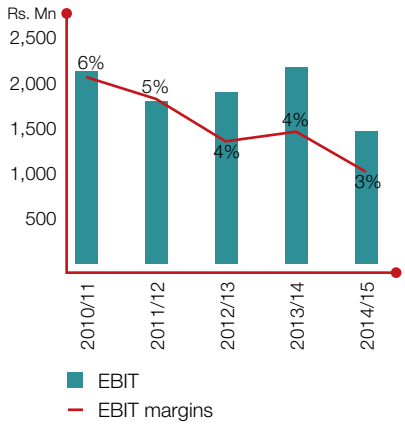
Revenue

International	76%
Local	24%

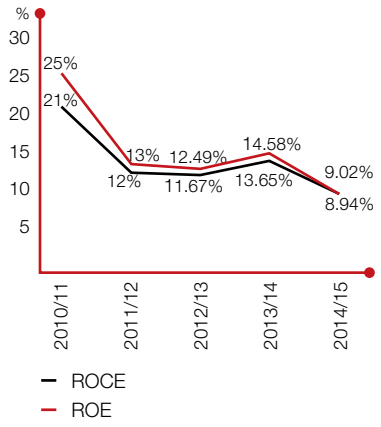
NPAT

International	65%
Local	35%

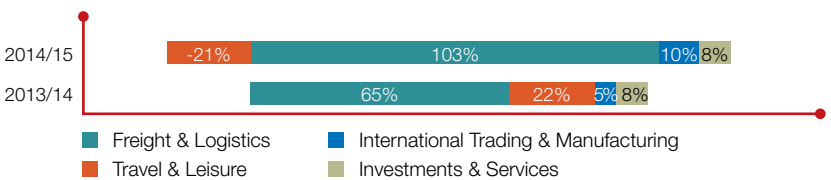
EBIT & EBIT Margin



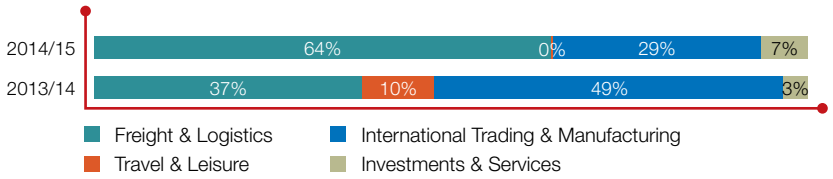
ROE Vs ROCE



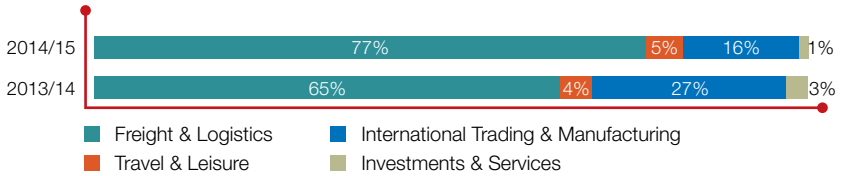
EBIT Composition



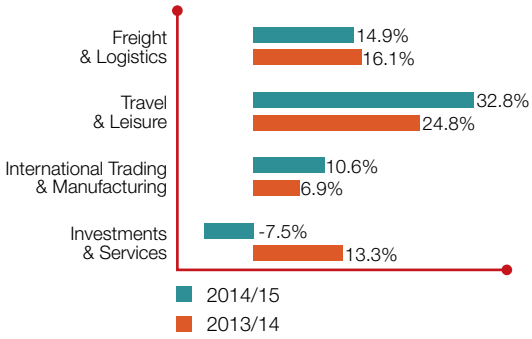
Finance Cost Composition



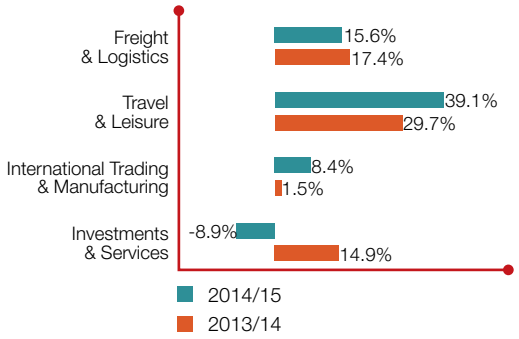
Revenue Composition



Industry Group ROCE Comparison



Industry Group ROE Comparison



Leverage & Capital Structure

Capital Structure

The composition of Capital during the reporting period comprised primarily of Shareholder Equity which funded 44.3 percent percent of the Rs. 22 billion worth of total assets. The majority of the remainder was funded by trade and other payables 36 percent, financing and lease payables 12 percent and minority interest 4 percent.

Debt

Returns from the divestments in the ITM (International Trading & Manufacturing) sector significantly reduced the impact of debt, restructuring the overall gearing position of the Group. Stemming primarily from contractions in trade financing otherwise inherent to the nature of their businesses, the divestments have changed the need for ongoing, sizeable working capital requirements. Furthermore, proceeds from the divestments have enabled the Group to settle borrowings made in the previous financial year. Notably, divestment proceeds were fully utilized to settle borrowings acquired for the purpose of building strategic assets towards enlargement of the flagship business (Freight & Logistics). These measures have considerably contracted the gearing levels of the Group and the current debt position is attributable to trade financing obtained for the two companies involved in International Trading & Manufacturing and as well as the leases obtained for assets of the subsidiaries.

The settlement of the borrowing to build the warehouse facility in Orugodawatte amounted to USD 5.5 Million.

Treasury Management

The USD/LKR exchange rate which was at 130 levels at the beginning of the financial year dropped marginally by the end of first half of the financial year. The second half showed more volatility, especially in the last quarter of the financial year, where it reached 133 levels and in certain cases real conversions were done at 134 levels by financial institutions. Overall the USD appreciated against the LKR by approximately 2 percent over course of the financial year.

The Group Treasury effectively and efficiently utilizes the cash pooling strategy to fund subsidiaries who are in need of funds to grow their businesses. This aids the Group in reducing borrowings from external parties to a greater extent.

Approximately 80 percent of the Group's revenue is generated in US Dollars in over 17 countries.

G4-EC1 →

Economic Value Statement for 2014/15

For the year ended 31st March In Rs. Millions	Group Total 2014/15 Rs'millions	%	Freight & Logistics	Travel and Leisure	International Trading & Manufacturing	Investments and Services	Group Total	Eliminations/ Adjustments	Consolidated Group Total
Direct Economic Value Generated									
Revenue	52,652	99.1%	40,582	2,793	8,528	814	52,716	(64)	52,652
Dividend Income	0	0.0%	249	-	0	69	319	(318)	0
Other Operating Income	477	0.9%	836	31	20	720	1,607	(1,130)	477
Share of Profit of an Associate and Joint Ventures	12	0.0%	(16)	0	-	28	12	-	12
Total Value Added	53,142	100%	41,652	2,824	8,547	1,631	54,654	(1,512)	53,142
Economic Value Distributed									
Operating Costs	46,320	87.2%	36,322	2,287	7,813	1,342	47,763	(1,443)	46,320
Employee Wages & Benefits	4,578	8.6%	3,291	350	437	500	4,578	-	4,578
Payments to Providers Of Funds	154	0.3%	419	15	73	23	530	(376)	154
Payments to Government	566	1.1%	483	16	75	20	595	(28)	566
Total Distributed	51,619	97.1%	40,515	2,667	8,398	1,886	53,466	(1,848)	51,619
Economic Value Retained									
Depreciation & Amortisation	476	0.9%	333	24	85	34	476	-	476
Profit after Dividends	1,047	2.0%	804	133	65	(289)	712	335	1,047
Retained for Reinvestment / Growth	1,523	2.9%	1,136	157	150	(255)	1,188	335	1,523

GROUP STRATEGY

Fusion of Visions: The Group Strategy

In 2014, Expolanka Group forged a strategic alliance with SG Holdings Group of Japan. The SG Holdings Group is a business group with Sagawa Express Co., Ltd. at its core, but also includes various businesses, from delivery and logistics to real estate. The Group's management vision is designed to attain lasting prosperity in a constantly changing business climate, while also dealing with changing customer needs and market environments. SG Holdings envisions to "Create new value by utilizing management resources and deepening cooperation inside and outside of the group, while aiming to strengthen the management foundation and to achieve lasting growth." Based on this management vision, SG Holdings launched its "Third Stage Plan" (2013-2015) with a theme of "Synergy, Innovation, and Speed," to maximize earning capacity and improve the group's total power by expanding its business domain. It is under this "Third Stage Plan" that SG Holdings bought into the strategic vision and direction of the Expolanka Group in 2014, fusing together to create new value for both SG Holdings and Expolanka Group together with the all stakeholders.

In 2013/2014, our Integrated Annual Report discussed in detail the strategic plan for the Group. Now into its third year of execution, this strategy has begun to deliver perceptible returns. Investment by SG Holdings into Expolanka is also a manifestation of the success of the strategy. Within a broad direction, the Group established set priorities, which continue to shape our business agenda, these priorities have assisted the Group to define our short term and medium term goals and operations. Over the last two financial years, whilst executing the overall strategy with an objective to meeting our key priorities, we have reviewed and redefined the short term strategy, shaping it every year based on the indications of the micro and macro environments.

The strategy evolved in 2012/13 with the intention to achieve long-term sustainability of the business. Growth, risk, return, productivity were identified as fundamentals in not only determining our movement towards strategic priorities but also on how the Group impacts all key stakeholders, creating an equilibrium in sustainable returns for all. Figure. 1 below demonstrates the level of achievement of core priorities over the past two financial years.

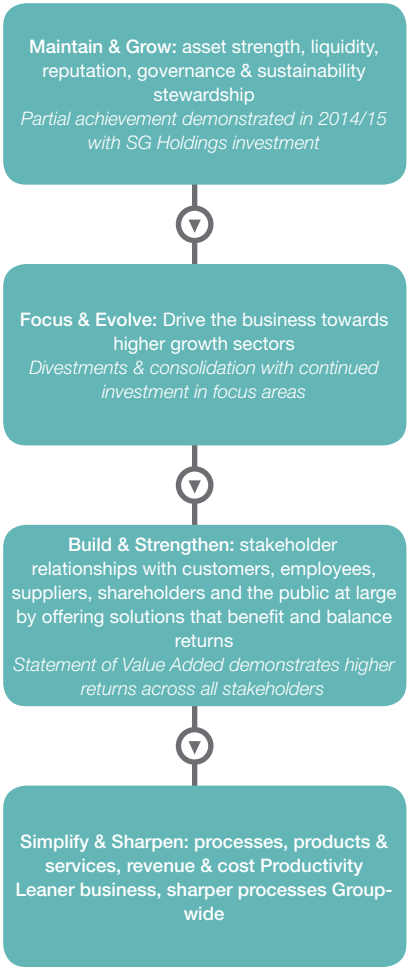


Fig 1: Core strategic priorities & achievements

Strategic evolution of the business strategy:

The strategic evolution of the Group's business has resulted in the transformation of Expolanka from a transaction-oriented business to one that is solution based. Thus, reconfiguration has been the key hinge on which the business strategy has been built upon, and in execution of the strategy, the Group has morphed from a value chain organisation to a more fluid structure based on an integrated value network. In transitioning to a value network, the challenge has been to gain the right knowledge and understanding, and then the commitment and investment in time and resources to adapt the business models for the long-term. In order to achieve the strategic intent, a strategic evolution of the business has been undertaken, with numerous changes to enacted to business structure with a view to enhance its fluidity, giving it the ability to transform and respond to global challenges whilst also creating a platform for solid, sustainable growth in the future.

At the end of the financial year 2014/15, two years into the three-year strategy, transformation of the business is imminent. From an achievement perspective 95 percent of the deliverables have been achieved across all priority levels. The execution of the strategy has brought to realization a series of divestments, as business sectors were sharpened in focus, resources re-allocated for greater returns and know-how integrated to optimise long-term business sustainability. Intense cost-benefit analysis and ROI mapping to match structural changes to the operational environment, industry shifts and consumer transformations have given way to a series of hard yet high return decisions.

Noteworthy changes to our sectoral structure have arisen from divestment of certain components of the business, restructure within business sectors and discontinuation of products and services that fell short of the forecasted returns in the medium term. The intention of the re-engineering efforts has been to divest businesses that are falling below performance benchmarks and projected growth patterns. Returns, scalability and scope remained the critical criteria in the divestment analysis.

Focus on core businesses yielded high returns in 2014/15. Freight & Logistics and Travel & Leisure sector witnessed the infusion of further investment, as the Group looked to consolidate growth. Sectoral reconfiguration has been and will continue to be based on key factor such as; level of volatility of the sector, scalability of the business, level of competencies available, and the rate of resource investments required to meet strategic expectations. In the International Trade & Manufacturing sector, the Group will, going forward continue to consider further divestments should the right value be realised (that exceeding the future value forecasted through business in the long-term) for existing sector businesses.

Sector	Strategic Initiatives in 2014/15
Freight & Logistics	☼ Investment of Rs. 1.5 billion towards the establishment of warehousing and value added solutions
	☼ Investment towards customer solutions & integration of value chain
	☼ Infrastructure & competencies in place to garner efficiencies through scale
	☼ Leverage on competences whilst outsourcing non-core activity
	☼ Expansion of trade links & network presence
	☼ Securing of a strong ocean product portfolio
	☼ Investment towards development of human capital with a bid to foster future leadership needs
Travel & Leisure	☼ Enhanced focus on service
	☼ Dissection of travel service offer/market to decipher new business opportunities
	☼ Drive for high value growth
International Trade & Manufacturing	☼ Divestment of non strategic businesses/components of the businesses
	☼ Realignment of resources/leadership
Investments & Services	☼ Drive towards the realization of the highest value from passive investments

Fig 2: Stepwise evolution of the business model.

Fusing Sustainability: The Strategy

Sustainability Strategy

At Expolanka sustainability and responsibility are an inclusive element of the corporate process. The sustainability vision for the Group - " to be a leader in enhancing the long term sustainability of the communities it serves; our CSR practices will be integrated throughout our business operations and will deliver social, economic and environmental benefits to our employees, communities and other stakeholders, while delivering a business advantage to our organisation cover the key issues that we believe underpin corporate social responsibility. A focused, concerted and strategic sustainability drive has been the pivot of Expolanka's corporate process not only in the year under review but has been so for over three decades of operations in Sri Lanka.

The importance of sustainable practice is exemplified by Expolanka's approach to sustainable corporate behaviour. Driven by the top with stewardship from the Chairman and the CEO, a dedicated unit for sustainability executes the corporate strategy for sustainable behaviour. However, it is also Expolanka's premise that social responsibility is the responsibility of everyone at Expolanka from top down – the management, the staff and other internal and external stakeholders. The Group strives to lead a community of responsible and educated employees who are environmentally conscious; practice social responsibilities in their daily lives and inspire others to do the same. By aligning the business objectives with sustainability objectives the Group, intends to be a leader in corporate citizenship and sustainable development, caring for employees and stakeholders, whilst enriching the quality of life of communities in which we do business, serving as good stewards of society and the environment. By operating in an economically, socially and environmentally responsible manner, the Group intends to balance the interests of diverse stakeholders and to foster change towards a global sustainable business and society.

Stakeholder contributions, views and perspectives, one and all, are much valued. From employee induction to supplier dealings, the notion of Sustainability is a sound principle that is given the highest priority. The Company not only encourages involvement but also seeks opinions through constructive dialogue, actively listen and incorporate suggestions for improvement. Stakeholder engagement through an inclusive dialogue process empowers stakeholders to raise issues.

As monitoring the progress and success of the Group's sustainability initiatives is imperative, Expolanka adhere to a strict social reporting process, meeting the stringent demands of Global Reporting Initiative (GRI) guidelines.

Strategic Drivers:

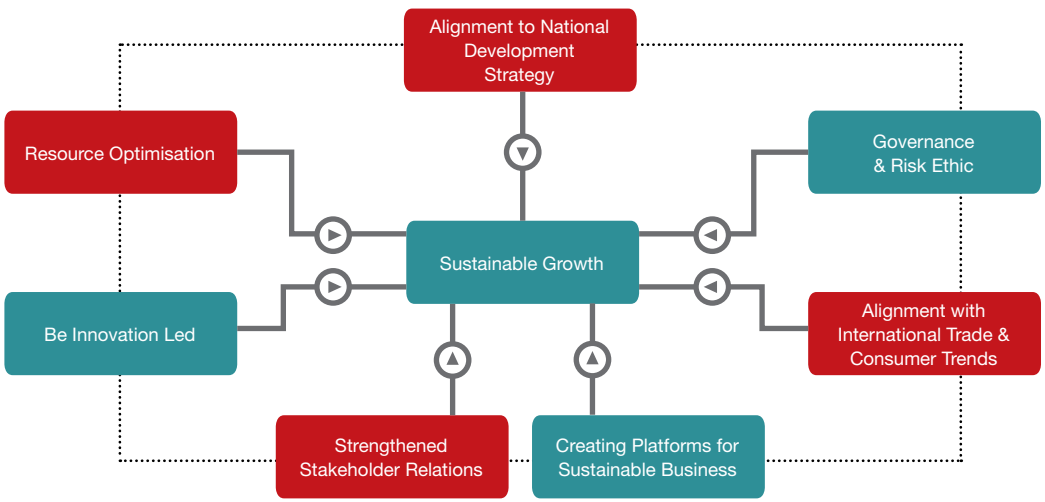


Fig. 3 – Drivers of sustainable growth

- **Align to National Development Strategy | Look to meet national priorities by way of matching the national strategy & strengths.**

Tangible Deliverable in 2014/15 | Creating greater competitiveness for Sri Lanka through offer of free port services with the launch of Sri Lanka's first logistics hub operation (EGDC), strengthening of the logistics offer through development of the logistics and transport solutions on offer to complement the national logistics resource/service base.

- **Align to International Trade & Consumer Trends: Re-engineering of the service offer to match international trade & consumer trends, be ahead of the trend and preempt solutions.**

Tangible Deliverable in 2014/15 | Launch of EGDC to offer customized solutions, further investment towards the expansion of Logistics Park and Transport Management System (TMS), re-engineering of International Trade & Manufacturing sector to match market & consumer trends, launch of ACR to meet global aviation industry needs.

- **Platform for Sustainable Business: Create and sustain advantages of scale, be a first mover and strive to serve niche markets.**

Tangible Deliverable in 2014/15 | Travel & Tourism re-engineered the service offer through dissection of the travel & tourism product offer to provide specialist, high value, niche service sectors. First mover advantage secured for these new business units as well as for EGDC in the Freight & Logistics sector and ACR in Investments sector.

- **Strengthened Stakeholder Relationships: Nurture enduring relationships with stakeholders.**

Tangible Deliverable in 2014/15 | Group continued to show strong commitment to stakeholders, driven by a long-term, holistic view of stakeholder relationships. Employee retention rates remained commendable; Supplier retention maintained with long-term relationships endured, customer relations placed with first priority. Investor relations and community relations defined by engagement continuous engagement.

- **Innovation Led: Develop new capabilities and capacities to develop the infrastructure and service structure and the infusion of innovation across the entire group-wide service product.**

Tangible Deliverable in 2014/15 | Launch of EGDC, an innovation that is a first for Sri Lanka, enhancing the competitiveness of not only the Group but also the nation, pitching Sri Lanka alongside the likes of Singapore & Dubai. Investment into the Group from international investors – SH Holdings – encouraged alongside the vision for infusion of innovation. Implementation of technology, Group-wide, with integration through a state of the art ERP has given access to greater streams of data for innovative and informed decision-making. Infused innovation into the product/service offer through integration of technology with the sharpening of the TMS to provide customization of solutions, enhanced controls. ACR established during the year with infusion of innovation to offer new capabilities to the global market. Travel & Tourism service offer enhanced to offer specialist niche revenue streams through innovation led capacity development.

- **Resource Optimization: Cost & resource efficiencies along the Groups value chain will deliver continued value enhancements.**

Tangible Deliverable in 2014/15 | Investments into the development of digital channels and business integration have led to enhance the customer experience and functionality – e.g.: EGDC, travel & tourism, Investments sector have leveraged technology to optimize value creation across the product and service continuum delivering enhanced functionality, seamless integration of networks, enhancement of tools for business intelligence as well as system implementations to augment the security and compliance functions.

By trimming the sectors and sub sectors, the Group has effectively simplified its primarily areas of business, thereby enabling better resource allocation. With a lesser number of business areas at play, the Group is now able to allocate greater focus and investment into those areas that it deems as critical and core for future growth.

- **Governance & Risk Management Ethic: The Group continues to strengthen its risk management and governance framework.**

Tangible Deliverable in 2014/15 | The Governance and Risk Ethic was sharpened during the year with the infusion of aspects of SG Holdings' Governance & Risk frameworks.

Transformative Sustainability Focus

Expolanka Group's corporate strategy is fused with its sustainability strategy creating a scenario where all corporate objectives are directly aligned to sustainability objectives. Given the Group's focus on transformative change, in the past three financial years, the Group has focused on catalyzing transformative change for greater good through responsible actions, empowering the communities and society at large to create transcending change for individuals, the environment and employees. Overall, the intent therefore has been to create a multiplier effect of positive, broadly contributing sustainable outcomes that will shape society, economy and the environment. By merging sustainability into very essence of the Group's core, Expolanka has and continues to successfully realize its corporate objectives through a number of well-defined management approaches that have built-in and integrated sustainable practice on an ongoing basis.

The Group's sustainbility mission therefore, is to create transformational change for the businesses it operates in and concurrently, create a paradigm shift in CSR action and impact for stakeholders. Thereby, changing the phase of activity to create positive change that can and will be passed forward on an ongoing cycle of positive impacts.

Fig 4: Elements of the Transformative Sustainability Mission

Organic Review Process

The Group adopts a continuous and organic strategy review process that seeks to ensure that Expolanka remains consistently open to potential developments and windows of opportunity. As a result, the Group constantly strives to define the approach to sustainability and how it is managed across all business sectors in a more explicit and lucid manner. The approach now formally acknowledges that 'sustainability' is not a static agenda. Instead, both the materiality of sustainability issues and the Group's response to them will evolve over time, as new issues emerge and priorities change. In line with this strategy, the Group monitors issues and spots trends that may affect future business, engages with stakeholders and builds relationships to create an inclusive business in a bid to find common ground for more sustainable solutions, embeds a long-term strategic sustainability culture throughout the Group and in turn translates and integrates the sustainability approach across all business processes to obtain sustainable competitive advantages in the marketplace.

Sustainability Structure & Stewardship:

Sustainability takes a top-down approach at Expolanka Holdings with direct leadership from the Chairman and the Group CEO, the sustainability ethos and direction then permeates to the top management of the Group and is implemented in consultative collaboration across the business sectors. A separate CSR & Sustainability unit involved in contributing to the community has been established. The team Spearheaded by Head of Marketing, Corporate Communications & CSR works towards identifying, assessing and implementing sustainability agendas and initiatives. In addition to this unit, all of the Group's companies have an appointed CSR representative and a CSR Champions Team that cascades the Group sustainability vision across sectors.

The sustainability framework which assigns key sustainability pillars to specific business sectors was formally structured in 20011/12 with a view to engage all sub sectors to take up projects aligned to their respective business operations in the five focused areas – environment, health, community development, entrepreneurship empowerment and disaster relief.

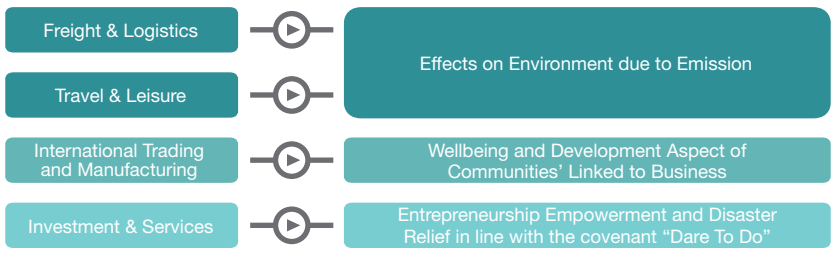


Fig 5 - Sector-wise Allocation of Sustainability & CSR Focus

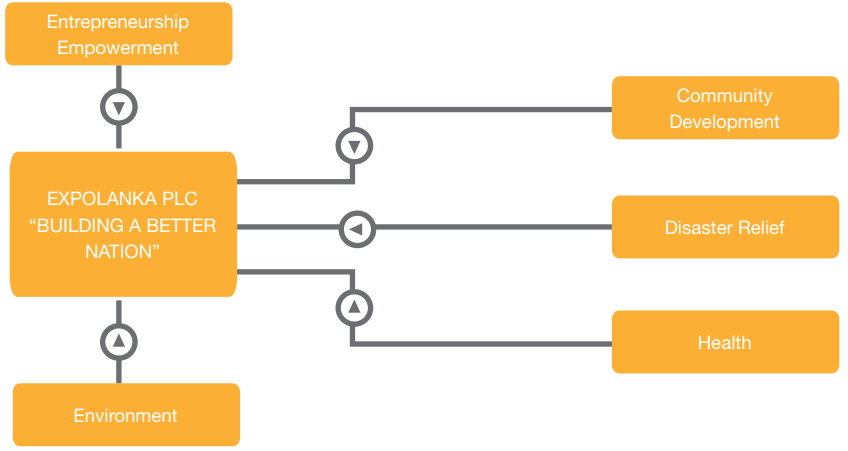


Fig 6 - Core Sustainability Pillars

The 5-point programme which covers the areas of Environment, Community Development, Health, Entrepreneurship empowerment and Disaster Relief is arrived by linking the CSR programmes to the four sectors in which Expolanka Holdings PLC operates in. A complete evaluation criterion is set when selecting projects to be implemented based on clear-cut guidelines on selecting the right project for the designated sector based on the best strategic fit.

Fig 7: Assessment of sustainable agendas for review

G4-15, 18, 19, 20, 21 →

Reporting Parameters

This year in presenting our first integrated Annual Report, we adopt the Global Reporting Initiative (GRI 4) guidelines. In this Report, we report on all entities of Expolanka's consolidated financial statements.

In striving to adhere to this universally recognised framework for disclosure of information, we comply with specific and general reporting G4 guidelines and indicator protocols. This Report discloses information under the GRI 4 with the external assurance provided by Ernst & Young Auditors.

We find that external assurance improves transparency and credibility of sustainable reporting. The external assurance provided by Ernst & Young Auditors can be found on pages 90-95.

Process of Defining Report Content and the Aspect Boundaries

This Report reveals current sustainability impacts, risks and opportunities and foresees social, economic, and environmental risks and opportunities to guide our strategic decisions to create a sustainable business process. The Report provides information on our interactions with each key stakeholder category and sustainability impacts under each identified material facet. In our assessment of the significance of each aspect to our operations and stakeholders, we considered the triple bottom line and relevance to our stakeholders. Our analysis revealed the importance of most of the aspects in terms of this evaluation such as environment and community

- Environmental
- Economic
- Human Rights
- Product Responsibility
- Social
- Society

Defining Materiality

As outlined in the GRI guidelines, the Group recognises and accepts the importance of materiality. This Report covers topics and indicators that reflect the Group's significant economic, environmental and social impacts and stakeholder inclusiveness.

Identifying Materiality

As a Group of companies that generates significant impacts on economy, environment, and community, we categorized identified aspects based on their relevance and influence each aspect has on our stakeholders.

		Aspect Boundary	
Indicators by Aspect	Materiality	Internal	External
Economic			
Economic Performance	☼	☼	
Market Presence	☼	☼	
Indirect Economic Impact			
Procurement Practices			
Environmental			
Materials			
Energy			
Water			
Biodiversity			
Emissions	☼		☼
Effluents and Waste	☼		☼
Products and Services			
Compliance	☼	☼	

Indicators by Aspect	Materiality	Aspect Boundary	
		Internal	External
Transport	☼		☼
Overall	☼	☼	
Supplier Environment Assessment			
Environment Grievance Mechanisms	☼		☼
Social: Labour Practices and Decent Work			
Employment	☼	☼	
Labour/Management Relations			
Occupational Health and Safety	☼	☼	
Training and Education	☼	☼	
Diversity and equal opportunity	☼	☼	
Equal remuneration for women and men	☼	☼	
Supplier assessment for Labour Practices			
Labour Practices Grievance Mechanisms	☼	☼	
Social: Human Rights			
Investment			
Non-Discrimination	☼	☼	
Freedom of association and collective bargaining			
Child labour	☼	☼	
Forced labour or compulsory labour	☼	☼	
Security Practices			
Indigenous Rights			
Assessment	☼	☼	
Supplier Human Rights Assessment			
Human Rights Grievance Mechanisms	☼	☼	
Society			
Local communities	☼		☼
Anti-corruption	☼	☼	
Public Policy	☼		☼
Anti-Competitive Behaviour	☼		☼
Compliance	☼	☼	
Supplier assessment for impacts on society			
Grievance mechanisms for impacts on society	☼		☼
Social: Product Responsibility			
Customer health and safety	☼		☼
Product and service labelling	☼		☼
Marketing Communications	☼		☼
Customer Privacy	☼		☼
Compliance	☼		☼

☼ Aspect boundary is internal or external
☼ Aspect boundary is Material or Not Material

G4-12 ➔

Our Supply Chain

As a diversified conglomerate, Expolanka has a vast number of suppliers across its various sectors. The Group recognises the importance of entrenching sustainability across its value chain towards promoting responsible businesses. In addition, we look at reducing risk to ensure quality, efficiency and effectiveness, whilst confirming that the social, economic and environmental impacts we create are neutral or positive.

The below table depicts the significant supplier for each sector:

Significant Suppliers	Freight & Logistics	Travel & Leisure	International Trading & Manufacturing	Investment & Services
Airlines	☼	☼		☼
Shipping Lines	☼			
Hotels		☼		
Transporters	☼	☼	☼	☼
Advertising agency	☼	☼	☼	☼
Land lords & Office space	☼	☼	☼	☼
Fruit Farmers			☼	
Vegetable Farmers			☼	
Printers	☼	☼	☼	☼
Equipment / Machinery & Spare parts			☼	
IT Equipment & Services	☼	☼	☼	☼
Packaging Material			☼	
Meat / Poultry			☼	
Paper Collectors			☼	
Black Seed			☼	
Coconut / Oil			☼	

G4-PR3 ➔

Product and Service Labelling

All products or services offered at Expolanka are covered by and assessed for compliance with such procedures.

	YES	NO
The sourcing of components of the product or service	✓	
Content, particularly with regard to substances that might produce an environmental or social impact	✓	
Safe use of the product or service	✓	
Disposal of the product and environmental/social impacts	✓	
Other (explain)		

G4-14 →

Internal management of Corporate Governance & Risk

Internal Management focuses on all those areas covering performance and change management that helps the Group to deliver on its strategy and specific sustainable development objectives and targets.

Corporate Governance is a fundamental component of the culture and business practices of the Group. It is the management framework that facilitates the conduct of the Group's business in a responsible and accountable manner so as to promote its credibility and soundness, which will in turn lead to the overall sustainability of operations. The Group's Board of Directors are responsible and accountable for the management of the affairs of the Group, its conduct of business, maintenance of prudent risk management and its overall soundness. The Board's role is therefore, to provide entrepreneurial leadership to the Group within the framework of prudent and effective controls, which enable risks to be managed. The Board sets the Group's strategic aims, ensuring that the necessary financial, human and physical resources are in place for the Group to meet its objectives. The Board sets the Group's values and standards and ensures that its obligations to its stakeholders are clearly understood and met.

Risk is an integral aspect of Group's business and Expolanka consistently aims towards delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. The Group's Risk Management strategy is based on a clear understanding of the various risks, disciplined assessment, measurement and continuous monitoring of such risks. The policies and procedures established for this purpose are continuously reviewed in the Group's quest to benefit from a blend of local and international best practices.

Risk and Governance Management Approach

1. Corporate Governance structure and policies and principles
2. Risk Management Framework allows Board of Directors, the Board of Management, the Audit Committee, and the Senior Management of the Group to play an integral role in this process of Risk Management

Fusing Sustainability: The Strategy Contd.

Sustainability Risk & Opportunity Assessment:

As a coherent component of the Internal Management Process, the Group undertakes a continuous sustainability risk and opportunity assessment on an annual basis, mapping responsive business process scenarios to mitigate the risks encountered and to leverage opportunities.

Economic Impact	Social Impact	Environmental Impact
☼ The Group through its diverse businesses – from Agri based exports to freight & logistics, tourism & travel, value-added manufacture & distribution, investment services and a myriad of international trade activities – cascades value addition to the economy across a variety of economic sectors. It directly contributes to the national output through the operation of 31 companies and injects economic wealth creation across social segments.	☼ Poverty alleviation through social empowerment especially through skills development of employees, smallholder and SME suppliers.	☼ Incorporating environmental policies into the operations of the Group led by the Environmental Policy
☼ Empowers both rural and urban communities through secure employment, both direct and indirect creating opportunities for sustainable livelihoods such as the Group's TMS operations assist micro entrepreunership – with services sourced from small scale trucking operators	☼ CSR initiatives through the structured CSR programme of the Group deliver social value on an ongoing basis through efforts such as the entrepreneur development programme, Venture Engine and Micro Entrepreneurship Programme.	☼ Implementation of 3R concept towards reducing Group carbon footprint
☼ Promotes entrepreneurship and creating self-employment opportunities for smallholder and SME suppliers.	☼ Promotion of well-being and health through a chain of medical clinics Expo Medix, well-being focused medical symposiums, dengue eradication programmes and health education efforts across rural and needy urban sectors	☼ Carbon neutral operations in Freight & Logistics sector
☼ Meets the needs of the nation by aligning the Group's activities with the overall national strategy for Sri Lanka in creating a hub status for logistics, proven by being the first to invest heavily towards the realization of the free-port status.	☼ Focus on disaster management efforts to assist the community and support national efforts during times of exceptional national need	☼ Implement practices to sharply decline and thereby optimise resource utilization – exemplified by the Group's warehouse project
	☼ Promotion of enterprising spirit by way of sponsorship of Everest Expedition.	☼ Implementation of an effective supplier policy which factors in sustainable environmental practice of suppliers
		☼ Proactive initiatives to sustain environmental stewardship, inspiring others to change. Inspirational projects include the Hiniduma Tree Planting Initiative, Earth Hour, Kelani River Project for World Water Day.
		☼ Fair trade certification for pre-assigned product lines in the International Trade & Manufacture sector catalyses interest in ethical manufacture and production whilst conserving soil, air and water purity.

Economic Risks/Opportunities	Social Risks/Opportunities	Environmental Risks/Opportunities
Our economic impact is seen as both an opportunity as well as a challenge. With the development of our core business and the investment towards free-port facilities and services, the economic opportunity for growth is immense. However, the sustainability of the concept hinges on the execution of the national strategy in the long term. We also have the opportunity to become partners with our customers in growing their businesses through long-term service affiliations.	Our social impact provides a clear opportunity for the Group to become involved in the community through suppliers, partners and employee development. The opportunity exists to promote inclusion and cascade wealth creation through the provision of employment and by assisting suppliers to develop into large-scale operators thereby creating a foundation of sound employee and supplier bases. Catalyse transformative change amongst society through entrepreneurship, and commercial development.	Although the nature of the Group's business is such that we are not directly influenced by environmental considerations in our day-to-day activities or through the scope of our business, the fact that we interact with millions on a daily basis enables us to act as a conduit in changing societal behaviour and perceptions. Our role therefore is to be a good environmental citizen and a role model for the Sri Lankan public. As such we take it upon ourselves to lead from the front on creating awareness about environmental considerations and incorporate same in our daily activities. Further by implementing a supplier screening system we are able to influence our business suppliers and customers to adopt eco friendly practices.
Responsive Business Processes		
☼ Risk, governance and compliance ☼ Customer satisfaction and service excellence practices ☼ Implementation of an Environmental Policy ☼ Move towards a paperless office in pursuing eco friendly practices ☼ Promotion of energy conservation ☼ Fair Trade Certification ☼ Targeted reduction in resource utilization ☼ Screening of suppliers for sustainable practice. ☼ Assessment criteria to measure emissions in core sectors ☼ Give precedence through business policy to perpetuate human rights, negation of child labour at customer & supplier businesses, equal opportunities at the workplace, diversity and female empowerment, service equality to all, facilitate the differently-abled		

Table 1: Sustainability Risk and Opportunity Assessment

Management Approach to Core Sustainability Agenda

Management Approach: ENVIRONMENT

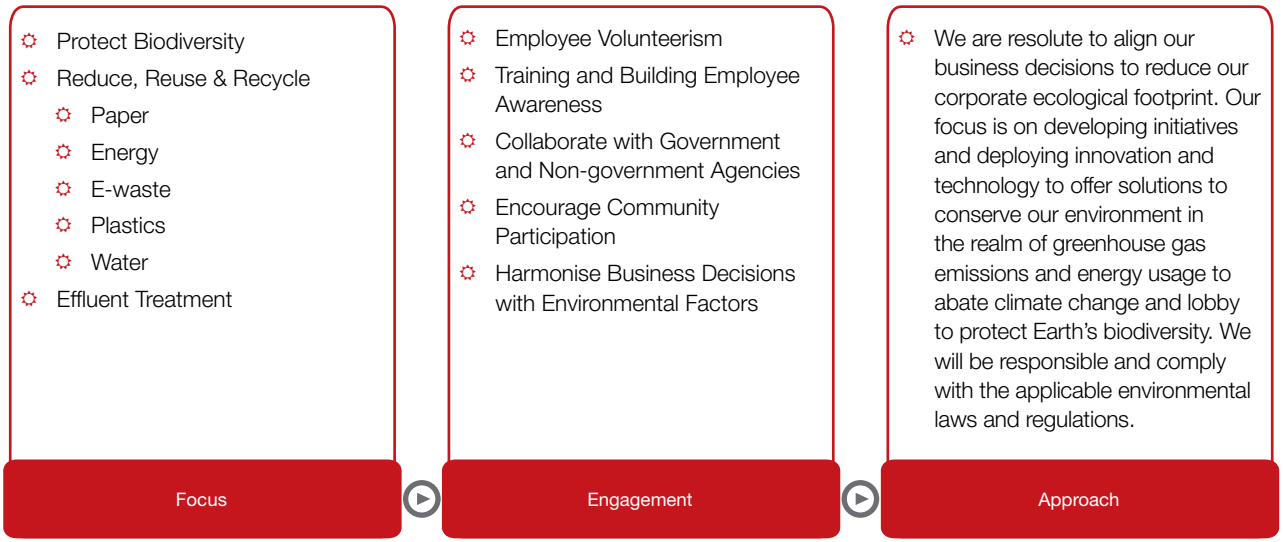


Fig. – Management Approach to Sustainable Environmental Practice

Environmental Sustainability Approach
☼ Environmental sustainability policies govern the sustainability efforts and parameters of the Group and each of the business sectors
☼ The Management Committees overlook resource utilization and uses benchmarks for management

Overview of Environmental Sustainability Practices		
Energy	Initiatives to enhance energy efficiency or utilise renewable energy	1. Comprehensive assessment of energy usage YOY through Energy Audits, subsequent corrective action 2. Tactical Energy saving measures: ☼ Internal communication & signage to prompt saving behaviour at workplace ☼ Monitor & update for further improvement ☼ Automatic lighting control ☼ Energy saving bulbs – CFL & LED ☼ Maintain optimum temperature of ACs ☼ Server virtualisation infrastructure on data centres ☼ Maintenance of cloud environment ☼ Maintenance of vehicles at optimal periods ☼ Compliant to global energy management standards – EPEAT, TCO, Energy Star
water	Initiatives undertaken to minimise water wastage	☼ Install water saving equipment ☼ Signage to remind and reinforce the “Save Water” message ☼ Monitor & identify areas for further improvement ☼ Prompt detection of leaks for remedial action
Biodiversity	Description of significant impacts of activities, products, services on biodiversity in protected areas and areas of high biodiversity value.	None of the Group’s operations are located within close proximity to national reserves or protected areas. However, the Group takes necessary precautions to ensure that areas of high biodiversity are protected and preserved.
	Activities to reduce environmental degradation	Preservation practices such as separation of solid waste under the 3R principle ensures zero dumping of solid waste. The liquid affluence including sewage `is treated and recycled water utilised for secondary purposes.

Resource efficiency optimisation has been high on the Group’s environmental sustainability agenda over the past few years. The Group has effectively deployed resource efficiency policies across the organisation cascading from the head office to branch offices. This implementation has included the effective implementation of a range of energy efficiency and water efficiency measures. The Group’s employees are fully aware of the measures to be undertaken, and are kept abreast of efficiency targets and monthly efficiency achievements. This ongoing and robust internal dialogue assists towards optimization of resources utilised by the Group as all employees remain committed towards the cause.

The Group adopts a 3R policy – Recycle, Reuse, Reduce - towards all tangible resources. The 3R policy has been embraced by the Group’s employees and has had considerable impact on behaviour towards resource utilization. Our Environment Policy strongly advocates efficient utilisation of resources which underpins our operational success as well as our efforts towards creating a sustainable environment in a world where resources are fast depleting, in the face of rising materialism. The 3Rs in waste prevention - reduce, reuse and recycle are the most effective measures we could cost effectively adopt to manage and conserve our resources be it paper, energy, water or other resources and thereby make a difference in the battle against greenhouse gases and climate change.

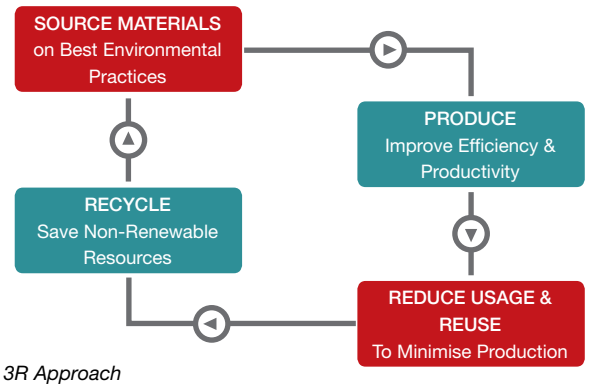


Fig: 3R Approach

Electronic Documents & Filing system	☼ Greater acceptance of e-documents in the decision making process ☼ Document scanning system to transfer paper documents to electronic records ☼ Secure and shareable electronic document library ☼ Microsoft Sharepoint implemented for effective electronic documentation.
Electronic Communication	☼ Microsoft LYNC for internal communication ☼ Email integration ☼ E memo integration for reporting & approval
Intranet	☼ Secure share of info within the Group ☼ Internal meetings via intranet ☼ Web based training ☼ Communicating group policies, circulars & announcements
Interactive website	☼ For interaction with stakeholders ☼ Online business transaction processing
Recycle Paper	☼ Systemic storage for used paper ☼ Paper recycling ☼ Use of recycled paper products
Print policy	☼ Stipulates print of only essential documents ☼ Double sided printing ☼ Used paper for confidentiality ☼ Print policy communicated across organisation ☼ Email alerts on print policy

Table 2: Key policy initiatives in 3R stewardship

G4-EN23 →

Resource Management

As a Group, we believe that the efficient utilisation of energy across the business provides a number of benefits including the protection of global energy reserves and in the reduction of the Groups' environmental impact. Through the effective implementation of a range of energy efficiency principles and processes, instituted over a period of years, the Group has successfully achieved energy efficiencies in the year under review.

The Group also undertakes numerous initiatives to manage resources such as water, oil and to reduce impact on landfills. Through the Group's recycling efforts, it contributes towards conservation of trees, and its carbon reduction programmes have effectively reduced green house gas emission.

Saving & Contribution to the Environment
Expolanka Group – Sri Lanka (Total Recycle - 44,000 Kg)

Resources	Unit	2014/15
Trees	Number	747
Water	Liters	77,157
Electricity	KWH	175,856
Oil	Liters	1,397,176
Land Fill	Cubic Meters	132

Source: Neptune Papers

Recycling as a business initiative

For over a decade, Neptune Papers has succeeded to be the premier exporter of waste paper for recycleing in Sri Lanka. The Company has created a name for itself through the adoption of 3R concepts for commercial opportunities – mainly the creation of packaging from waste paper . Apart from targeting the internal Group needs, the Compnay has leveraged strong business links with responsible corporates and entities to offer packaging solutions. It collects waste paper for shredding from corporates as the raw material. In 2014/15, the Company collected 32,000,000 kilograms of waste paper.

Saving & Contribution to the Environment
Neptune Papers – Sri Lanka (Total Recycle - 32,000,000 Kg)

Resources	Unit	2014/15
Trees	Number	544,000
Water	Liters	56,160,000
Electricity	KWH	128,000,000
Oil	Liters	101,6960,000
Land Fill	Cubic Meters	96,000

Source: Neptune Papers

EXPOLANKA HOLDINGS PLC

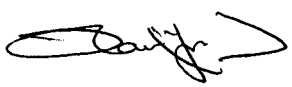
EXPOLANKA GROUP
ENVIRONMENT POLICY

We as a part of the Expolanka Group recognise the importance of the global environment to mankind and give priority to its protection.

We are committed to minimize the impact of our activities on the environment and will adopt sustainability measures in the true spirit to achieve the status of a "Green Conglomerate".

To achieve the above;

1. We are committed to protect the environment and to take steps in minimizing the impact on it by our corporate activities.
2. We will create Awareness & Consciousness on the overall environmental considerations among our employees & other stakeholders.
3. We will promote environmental friendly business practices which will improve the environmental footprint of our group.
4. We will comply with environment regulations, legal legislations, agreements, and will work to protect the environment by establishing voluntary management targets.



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Hanif Yusoof
Group CEO

Management Approach: COMMUNITY

Fig. – Management Approach to Sustainable Environmental Practice

At Expolanka, we firmly believe in our compelling role to be at the forefront of enriching our communities. Our culture strongly supports community needs and advocates empowerment through employment creation with multiplier effects on their standards and quality of living. Our community service aims at creating a meaningful social impact on health, entrepreneurship empowerment and community development through a multi-faceted strategy from monetary donations, volunteerism initiating projects that supports a cause or uplifting their livelihoods and welfare.

Supplier Integration & Market/Product Responsibility

Market Presence and Economic Value Creation Management Approach	☼ Operates in 20 countries ☼ Economic value creation exceeds Rs. 53.1 Bn.
Sustainable purchase and produce Management Approach	☼ Sustainable supplier policy dictates that suppliers be evaluated based on their own commitments to sustainable practice. ☼ Preference given to suppliers who are able to deliver with the least handling and transport, which provide goods that carry eco-labels and recycle labels. ☼ Bulk purchasing given priority and supplies in returnable containers or packaging that is biodegradable.

On the area of market/product responsibility, the Group strives at all times to minimise the risks and to safeguard the interests of our customers. Expolanka ensures that customers are aware of the full impact of the products and services they seek on their own standing. Ensuring that the Group has available and affordable services is a key focus in our product responsibility strategy. In addition, the Group is at all times responsible in ensuring that we have a sustainable business with a sustainable customer base. We strive to be accountable and to instill this sense of accountability amongst our customers. Through interactive engagement we aim to provide the full impact of our product/service/market availability on offer, to customers and often this enhanced level of interaction enables us to tailor-make products/services to specific needs of customers. We believe in graduating customers along the development continuum, assisting them to achieve their own corporate vision and objectives. This involved and highly interactive role that we undertake as a service partner enables us to be on top of customer expectations and to minimise customers complaints and dissonance.

The Group is also conscious of the role of suppliers in the achievement of strategic objectives and therefore views supplier relations as critical to the long-term viability of Expolanka. It also recognizes that its relationship with suppliers is built on a solid foundation of value and trust. The Group adopts a management approach that balances cost considerations with responsible and sustainable procurement practices. The Group's strategic sourcing strategy promotes sustainable procurement by taking into consideration environmental, ethical and social factors when making sourcing decisions.

Table: Product Responsibility: Conformity to global standards and service delivery criteria

Overview of Social Sustainability Performance		
Compliance	Monetary value of significant fines and total number of non monetary sanctions for noncompliance with laws and regulations	
	None	
	Monetary value of significant fines and total number of non – monetary sanctions for non – compliance with environmental laws and regulations	
	None	
	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	
	None	
Occupational Health & Safety	The Group communicates an OH&S policy organization-wide. In 2014/2015, there were zero reportable incidents concerning injuries or incidents of occupational diseases.	
Non - discrimination	Total number of incidents of discrimination and actions taken (HR4)	
	None	
Product and Service Labelling	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Each of the Group's operations determines customer satisfaction via customer response and feedback mechanisms. Based on periodic reviews, customer interaction processes are refined/ re-engineered. Social media is used actively to interact on a one on one basis with customers and potential customers. Of these Facebook and Twitter dominate whilst the Group's website is also a core base for interaction. SMS is used extensively to interact on a regular basis. To enhance quality assurance at the Group's sector SBU's practice 5S Good Housekeeping, Kaizen Quality Management techniques and various productivity enhancement techniques.
Marketing Communi-cations	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship (PR7)	
	None	
	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data (PR8)	
	None	

G4-16 →

MEMBERSHIPS

Expolanka Freight Ltd

- Sri Lanka Freight Forwarders Association
- American Chamber of Commerce in Sri Lanka

Classic Travel (Pvt) Ltd

- Travel Agents Association of Sri Lanka (TAASL)
- International Air Transport Association (IATA)

Akquasun Sri Lanka (Pvt) Ltd

- Member of OTOAI (Outbound Tour Operators Association of India)
- Member of ETAA (Enterprising Travel Agents Association)

Expolanka Teas (Pvt) Ltd

- Colombo Tea Traders Association

Expolanka (Pvt) Ltd

- National Chamber of Exporters of Sri Lanka
- The Ceylon Chamber of Commerce
- Sri Lanka - Pakistan Business Association
- Sri Lanka - Indonesia Business Association
- Spices & Allied Products, Producers & Traders Association
- Sri Lanka - China Business Association
- Sri Lanka Food Processors Association
- Lanka Fruits & Vegetables Producers, Processors & Exporters Association
- Sri Lanka Institute of Directors
- Coconut Products Traders Association

Norfolk Foods (Pvt) Ltd

- Ceylon Chamber of Commerce
- The Council for Business with Britain
- Sri Lanka Maldives Bilateral Business Council

CERTIFICATIONS

Expolanka Freight Ltd

- US Customs and Border Protection
- Certified Customs - Trade Partnership against Terrorism (C-TPAT)
- Carbon Neutral® Certificate * Carbon Neutral Company
- ISO 9001:2008 Quality Management Systems certification - from SGS United Kingdom

Expolanka (Pvt) Ltd

- Organic EU Certification
- JAS (Japanese Agricultural Standards)

Expolanka Teas (Pvt) Ltd

- SLS
- GMP
- HACCCP
- ISO 9001:2008
- ISO 22000:2005

Bio Extracts (Pvt) Ltd

- ISO 14001
- ISO 22000
- ISO 9001
- HACCP -Sri Lanka Standard Institute
- GMP
- USDA ORGANIC Certification
- EU ORGANIC Certification
- SOORIYA SINGHA Accreditation * Fair Choice certification – Control Union (CU)

Norfolk Foods (Pvt) Ltd

- ISO 22000:2005 - Sri Lanka Standard Institute

AWARDS

- Bio Extracts received Fair Choice certification for its fair trade production methods from the Control Union (CU).
- Expo Freight (EFL), Sri Lanka received the prestigious ISO 9001:2008 Quality Management Systems certification from SGS United Kingdom.
- EFL won four awards from prestigious MAST Global Logistics in Hong Kong for the 9th consecutive year as Service Provider of the Year 2013, Best Global On-Time Performance, On Time Lane Performance and a special individual award titles 'Power of One'.
- Akquasun won the TAAI (Travel Agents Association of India) appreciation award 2014.
- Ministry of Culture, Sports and Tourism VNAT, Vietnam awarded Certificate of Appreciation & Trophy for contribution to the development of Vietnam Tourism.
- Akquasun won an award for Outstanding Sale Performance from Venetian Macao.
- Expolanka Holdings PLC was honoured at the Asia Responsible Entrepreneurship Awards (AREA) 2014 for the CSR project 'Expo Medix' under the Health Promotion category.

- Expo Freight (EFL) won a Bronze Award in the Business to Business category At the SLIM Brand Excellence Awards 2014.
- Expolanka Holdings PLC won the Gold Award for Global Reach and Diversified sector while Expo Freight won Gold for Shipping and Related Services at the National Business Excellence awards 2014.
- Expolanka Holdings PLC won three awards for its 'Look | See' Annual Report 2013/14 at the Spotlight Awards organized by the Global Communications Competition of League of American Communications Professional (LACP).
- Expolanka Holdings PLC won the runners up Award in the Diversified Conglomerate category At the ACCA Sustainability Awards 2014.
- Classic Travel won the silver award for Top Agent 2013/14 from Singapore Airlines.
- Classic Travel won the gold award for Top Agent 2013 from Korean Airlines.
- EFL Sri Lanka was recognized among the Top Agents from Emirates Airlines in 2015.
- EFL Sri Lanka won Gold as 'The Most Outstanding Exporter - Service Provider to Exporters' and the Gold for 'The Service Provider to Exporters 'Extra-Large Category' at the NCE Awards 2014.
- EFL Indonesia won the 'Outstanding Agent Achievement Award' from Cathay Pacific Airways.
- EFL UAE was recognized among the top 10 Cargo Customers by Swiss Cargo.

NBE Awards 2014

NCE Awards 2014

SLIM Brand Excellence Awards 2014.

ACCA Sustainability Awards 2014.

Management Approach: EMPLOYEE RELATIONS

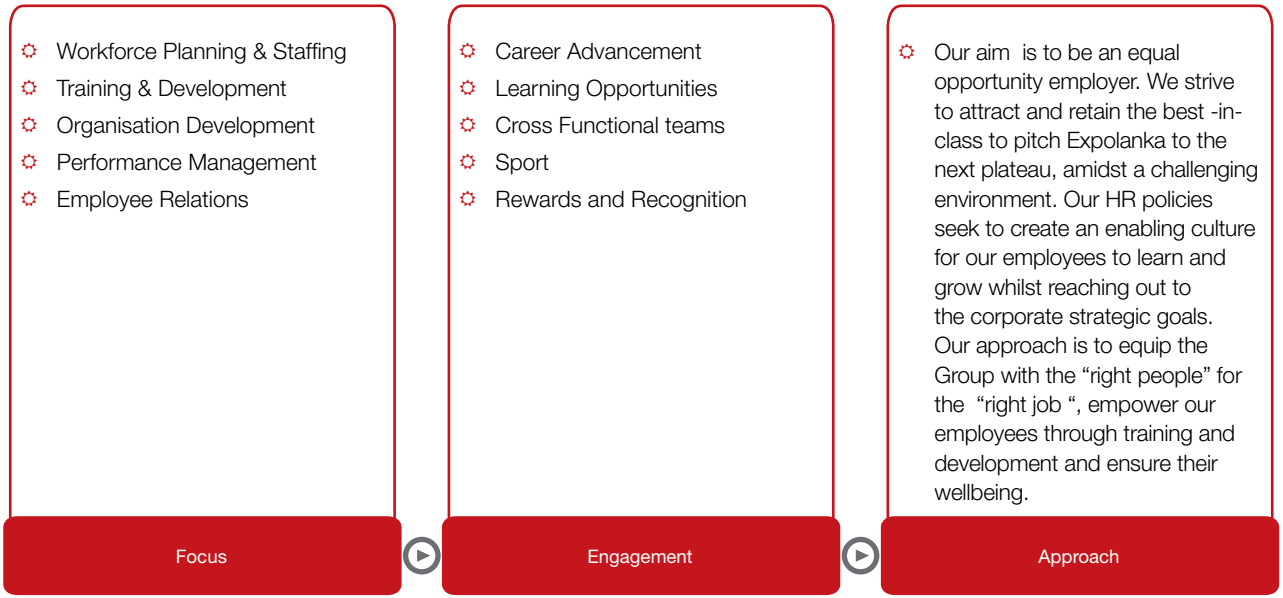


Fig. – Management Approach to Employee Relations

HR, Employee Development, Equal Opportunity & Anti-corruption Management Approach

- Adopts a revolutionary human development approach that has yielded groundbreaking results especially in terms of career development and inculcation of corporate values and ownership that extends beyond the conventional
- Adopts a policy of innovative training that overcomes the customary barriers to effective learning
- Gender equality and equal opportunity governed by corporate policy
- Anti-corruption and ethical business training extended to all employees

Building Human Asset through Strategic Focus

At Expolanka Human Resources is perceived as an integral and critical factor for the achievement of business success. We recognize that a focused and well-aligned HR strategy is focal for the achievement of enhanced operational and commercial success. By developing and through the placement of a high degree of emphasis on the well –being of our employees, the Group has created a culture of shared values where corporate visions and individual visions merge. Group-wide, locally and globally, we seek to develop our human capital to a degree where will be the most admired for our people, processes and performance. Expolanka looks to play a proactive role in the development of human resources to meet and match the nations future needs. Moreover, as a Group engaged in global business, it fully recognises the need to create a pool of human resources that is world-class and in doing so extend its expertise in global business to benefit the employer and employee clusters in Sri Lanka, both through direct and indirect interaction.

The strategic focus of the Group's People strategy has been to proactively deliver HR services that align with the needs for operational excellence whilst also ensuring an organizational culture attuned to the overall strategic intent of the Company, inculcated through strategic HR. Expolanka emphasizes on creating a culture that fosters and lives its Group values, particularly one that values diversity and embraces high performance. The focus, therefore, has been on instilling excellence amongst employees and future employees. The Company truly demonstrates its commitment to contribute to larger forum by engaging in Human Resource practices that not merely develops an individual in the capacity of his job function but focuses on developing an individual who is an inspired, motivated professional with depth and capacity to make a significant contribution to the industry and the national human asset.

The Critical Success Factors for the achievement of a valued Human Asset base at Expolanka has been the ability of Human Resources as a function, to contribute to the long-term sustainability of the Group. The HR function has consistently served to deliver value by fostering a culture attuned to performance. Towards this end HR development has been a key driver for sustainable human asset enlargement. The HR function as a strategic basis provides programmes and services that enable the business and employees to achieve world-class performance. HR Services add value and deliver in a low-cost, fit-for-purpose manner whilst being a flexible, credible and proactive business partner (trusted, respected, with the right competencies) integral to the business. It has an engaged workforce whose focus and actions support an enterprise perspective and standardization, and whose collective understanding and execution of demand management within the organization matches the right resources to the right requirements.

HR Development is driven by the requirement to identify and enhance the skills in general, whilst during the year special emphasis was also laid on the development of High Potential Individuals identified through the Performance Management Process, in line with the Group's restructure and re-engineering efforts for each of the SBU's.

In a bid to ensure that new skills and talent are infused to the development process, the HR function re-visited current practices adopted in some of the core HR action plans. In particular, focus was lent to talent retention & management together with talent development through training, strategic recruitment to meet future people needs, rigorous engagement and motivational programmes.

HR Development tools adopted during the year and as in previous years included overseas training, overseas assignments, internal promotions, broadening of responsibility to grow individuals capacities for future positions, leadership training to improve leadership competencies, orientation for new recruits and the utilization of employee specific big data for better business decision making. The deployment of Group wide cost optimization initiatives aimed at minimized business losses was cascaded through a proactive, behavioural-based process.

Creating a Culture of Learning through Strategic Development

G4-LA10 ➔

Expolanka actively strives towards the creation of a culture of learning, one that is built on a firm foundation of knowledge, skills and attitude. In nurturing people the Group effectively utilises Training and Development as a tool towards the creation of high levels of functional and as well emotional aptitude. A constantly changing external environment – Global and Local - together with a shifting market situation requires us to be equipped to tackle more potent challenges and to reap from future opportunities by building capacities and future leaders.

Management Approach to Core Sustainability Agenda Contd.

Most importantly, the Group's Training Plan mirrors the strategic vision, objectives and the overall strategic intent of Expolanka. Thus, the need to train and develop and the eventual Training Plan for the year are in direct alignment with the Group's mission for the long-term sustenance of the business. In the belief that strategic focus is imperative for the development of competencies for business growth, cost management, productivity, compliance and regulatory requirements, the Group's training and development gives primary emphasis to these core themes. Support needs such as building and retaining lasting customer relationships, service quality, customer service excellence, understanding the importance of self management in realizing individual and Group objectives, the need to develop managerial competencies and pursuit of multi-skills to support succession planning and job rotations are also encapsulated in the overall training and development process.

The Group's Training Plan is designed in accordance with its training needs analysis based on information gathered from performance appraisals, questionnaires and recommendations from heads of departments. The Annual Training Needs Analysis and Annual Training Plan form the basis of continuous development of the workforce in terms of technical, managerial and specialized areas of knowledge and skills development.

With respect to training and development a total 2,626 hours were spent on developing the organizational capabilities in 2014/15. With participation in over 25 different programmes wherein participants were drawn from across the each sector of the Group as well as across all levels of the organization, based on pre-determined development needs of each individual through a comprehensive competency-gap analysis.

Fig - Determining the Training needs

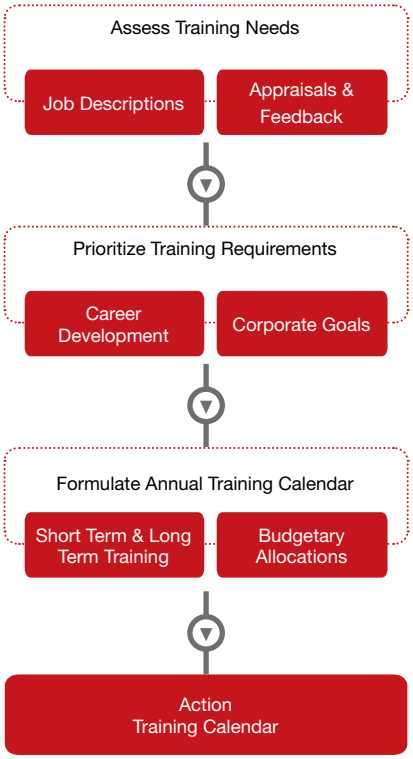


Fig: Key Criteria in Learning & Development

Continuous Professional Development as a Core to re-Engineering Capacities

Continuous Professional Development programmes are an inherent component of the Group's quest for knowledge enhancement. The Group also recognises the need to secure the assistance of specialist management education experts to formulate a unique curriculum for Management Development. The Executive Development Programme aimed to give the participants a systematic view of their organisation, including a review of how major functions affect each other. The programme was considered as a process from which managers learnt and improved their skills whilst certain modules aimed towards sharpening of leadership and managerial personality traits. These modules addressed a variety of areas including a renewed vision and value system, task-competency framework, business excellence and service excellence, and they enabled the participants to see the organisation as more than the sum of its parts. This holistic approach was seen as a basis for effective management decision-making.

Motivating to Shine

Recognition and motivation are part and parcel of life at Expolanka. All employees of the Expolanka Group have their performance evaluated transparently on pre-agreed targets aligned to the corporate strategy and on an annual basis, the Group effectively use its performance evaluation process to assess, recognise and reward employee performance without any personal bias. The scheme following the best industry practices gives precedence to employee competency and commitment to corporate values. This process also supports the Group in ascertaining any skill gaps and allows for the extension of training to further develop employees' both in terms of their professional development needs as well as from a corporate goal perspective.

G4-LA11 →

Employer Branding

Employer branding plays a major role in attracting the best quality talent to the organization. The Groups continuous efforts in educating the public about its operations & the career opportunities that it presents is immense. Participation at various career fairs conducted by the universities is evidence of its initiatives in building Employer Branding.

Participation at the EDEX Expo 2015 – Sri Lanka's largest education and careers exhibition is yet another step in building awareness of the Groups' operations & opportunities it presents.

Social media & the prevalence of mobile devices & their ability to reach the new 'always on' generation is known quite

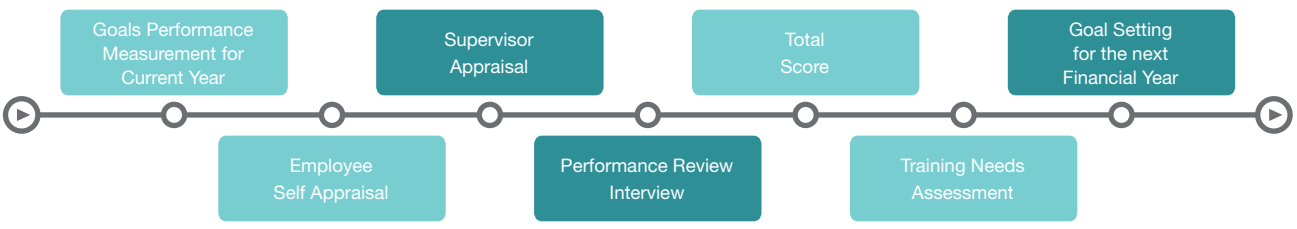


Fig – The performance evaluation continuum

G4-EC3, 5 / LA2, 13 / HR3, 5, 6 →

well by the Group & hence a conscious effort is made to use social media as yet another form of branding the Group's operations & the opportunities in-store & also to publish the various employee related activities that take place within the Group.

Talent Acquisition

In a bid to ensure the right fit to the job, we have invested on an online psychometric testing tool for new recruitments. In administering such tools during recruitment it assists us in giving a better overall evaluation of the candidate & also to gauge the future performance of a candidate and improve employee retention by making successful hiring decisions.

Training & Development

The Group invests a substantial amount in training their staff & ensuring that they are kept in touch with new trends & techniques in performing their respective roles. Furthermore we conduct various compliance related training programs such as Fire drills, First aid training programs…etc.

Training & development is yet another form of ensuring that our staff is kept motivated. The Freight cluster recently conducted a series of training programs to improve corporate performance through energizing, empowering and engaging employees to create a superior mindset and the required attitudinal & behavioral competencies to boost cooperate performance.

Gender equality and equal opportunity

Freight and Logistics sector is a significantly male dominant industry. As such the presence of females are scarce in the industry itself. However we as a Group have gone that extra step to attract females into our workforce and have given opportunities to many women to join our work force.

We believe in equal opportunity & in that line of thinking we have ensured to grant employment opportunities to differently abled people.

Succession Planning

As a result of the Executive Development Program we have successfully identified the next line of management & we are gearing them to take on the challenges that will come as they climb up to the management levels.

Remuneration

Our remuneration practise seeks to be on par with the industry norms. We offer market competitive remuneration to all our employees and incentives are tied to performance, ascertained impartially by our performance appraisal scheme detailed above. Remuneration of employees is entirely dependent on the role, experience, qualification and performance of the individual. According to Wage Boards Ordinance No. 27 of 1941 of 19 September as amended up to Act No. 36 of 1982 which regulates minimum wages in Sri Lanka Expolanka abides by this Act.

Defined Benefits

We are committed and consistent in meeting our defined benefit obligations. We contribute as per the stipulated norms, 12percent of the basic salary to Employee Provident Fund (EPF) and 3percent to Employee Trust Fund (ETF). As at the reporting period, the Group incurred a cost of Rs. 203,971,849 in terms of EPF and ETF. We are also regular in meeting our obligations on gratuity, payable under the Payment of Gratuity Act No. 12 of 1983. The liability recognised as at the balance sheet date is Rs. 347,921,828.

Employee Benefits and Facilities

- **Medical Insurance & Workmen**

Compensation Insurance Policy: This is a comprehensive insurance scheme which covers employees general, surgical and hospitalisation needs. The scheme entails a membership card for planned and emergency hospitalisation, covering leading hospitals and clinics. Employees are insured for personal as well as duty related accidents. The insurance is also extended to the immediate family members.

- **Vehicle Allowance**

All Senior Executive and above level employees are entitled for this benefit if a company vehicle is not provided.

- **Fuel Allowance**

Companies reimburse fuel expenses for official & personal transport needs. The reimbursement is based on the employee categories.

- **Motor Bike Loan**

This loan scheme is available only for EFL employees. All Wharf officers, junior executives, whose services are based on the field work, van & lorry drivers whose working hours extend to late nights & any senior executive level employee who is entitled for a travel allowance are eligible.

- **Emergency Staff Loan**

The objective of this benefit is to assist employees in an unforeseeable circumstance resulting in financial hardship.

☼ Festival Advance/Loan

Eligible to those employees who have completed 1 year of service under the permanent carder. Recovery period is 10 months. Each employee will be entitled to only one loan per festival.

☼ Medical (Hospitalization & OPD)

All employees are eligible for this benefit and the limits are based on the employee categories.

☼ Lunch & Lunchroom Facilities

All employees across the Group are eligible for this benefit. The suppliers of lunch and the cost that is allocated for the lunch will vary from company to company.

☼ Overtime

Non- Executives category employees who work beyond the stipulated working hours will be paid OT.

☼ Forced Labour

We have been in operations for over three decades and have grown to be a conglomerate with rich traditions. Our culture does not advocate nor resort to any form of exploitation of the vulnerable for financial gains. We are vehemently opposed to forced or compulsory labour in our operations.

The Group respects all employees and has ensured humane management that fosters employee well-being. The level of wages paid to employees are just, equitable and on par with industry standards. Expolanka in most instances is considered as a benchmark in the area of employee remuneration.

☼ Discrimination

G4-LA3 →

Expolanka is against any form of social prejudices. The Group did not encounter or record any incidence of discrimination during the reporting period. Procedures are well set out in the HR Manual on dealing with such incidents if and when they occur.

☼ Child Labour

At Expolanka, we strictly enforce the policy of the minimum age of employment - 18 years and above. We categorically shun child labour and we have never employed minors in any of ours operations which spans over three decades. We are conscious and even demand this vital practice from our suppliers and outsourced service providers.

☼ Maternity Leave

All female employees at Expolanka are entitled to obtain maternity leave. A female employee will be allowed 14 working days maternity leave with full pay, immediately proceeding before the expected date of confinement.

Commencing the date of confinement, maternity leave entitlement is as follows :

1st surviving child	70 working days with full pay	84 days
2nd surviving child	70 working days with full pay	84 days
3rd surviving child & more	28 working days with full pay	42 days

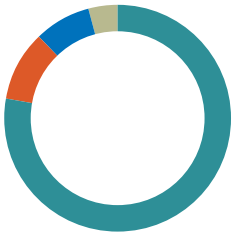
If the female employee does not take the 14 days prior to confinement, she will be entitled for it after confinement accordingly the total days are mentioned in blue.

G4-10 →

Key Indicators of Excellence in Employee Relations

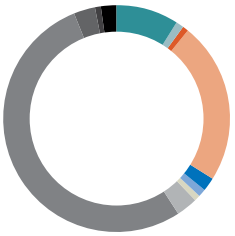
Carder Sector Composition

Total Carder 2731 as at 31st March 2015



Freight & Logistics	78%
Travel & Leisure	10%
Manufacturing & International Trading Sector	8%
Investments & Services	4%

Carder Geographic Representation

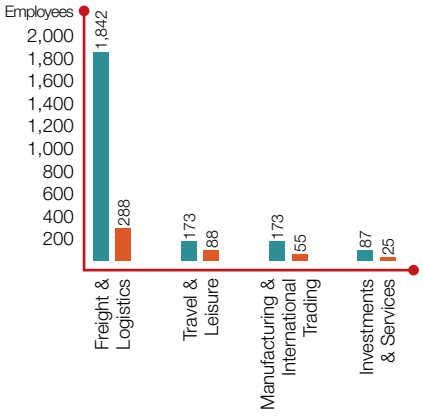


Bangladesh	9%	Maldives	0%
China	1%	Pakistan	3%
Hong Kong	1%	South Africa	0%
India	23%	Sri Lanka	53%
Indonesia	2%	UAE	3%
Kenya	1%	USA	1%
Madagaskar	0%	Vietnam	2%
Mauritius	1%		

Total Carder - Group

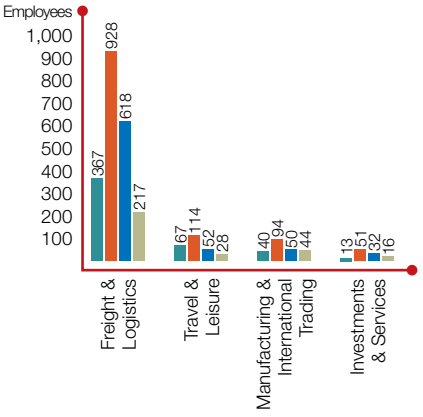
Males	83%
Females	17%

Gender Distribution - Sector



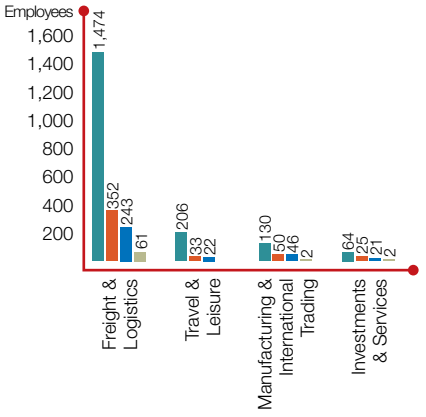
Males 2,275
Females 456

Age Analysis - Sector



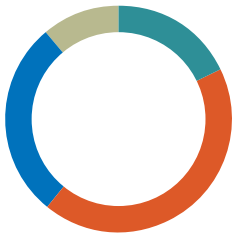
18-25 years
36-45 years
26-35 years
46 years & above

Service Year Analysis - Sector



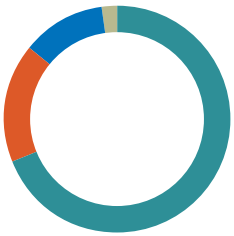
0-5 years
11-20 years
6-10 years
21 years & above

Total Carder - Age Analysis



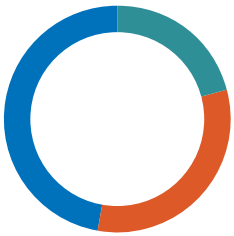
18-25 years	18%
26-35 years	43%
36-45 years	28%
46 years & above	11%

Total Carder - Service Year Analysis



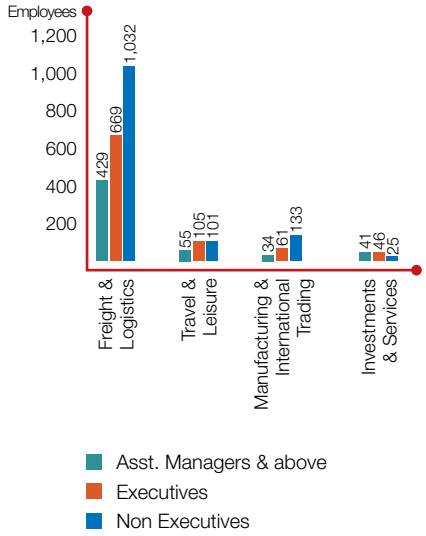
0-5 years	69%
6-10 years	17%
11-20 years	12%
21 years & above	2%

Total Carder



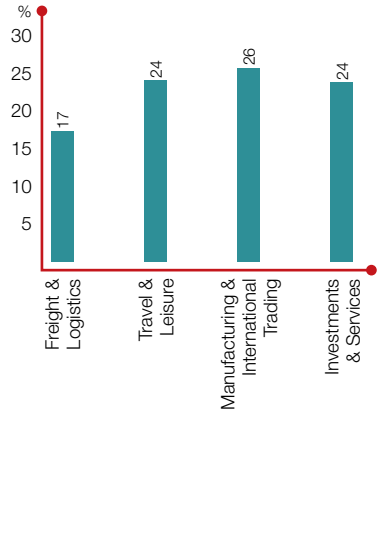
Asst. Managers & above	21%
Executives	32%
Non Executives	47%

Sector Staff Category Composition



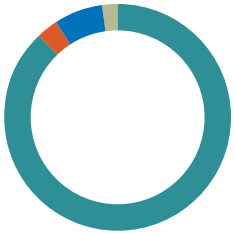
Recruitments vs Resignations

Turnover Ratio %



G4-LA9 →

Training Investment (SLRS)



Freight & Logistics	88%
Travel & Leisure	3%
Manufacturing & International Trading	7%
Investments & Services	2%

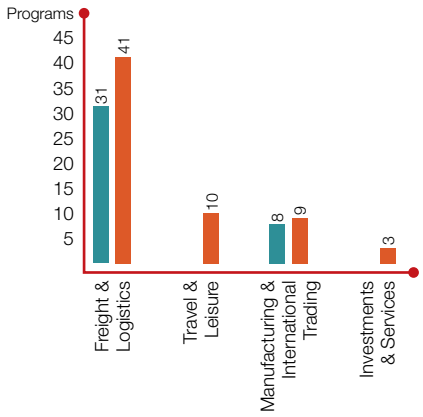
Training Employee Category

Asst. Managers & above	16%
Executives Staff	45%
Non Executives Staff	39%

Training Programmes

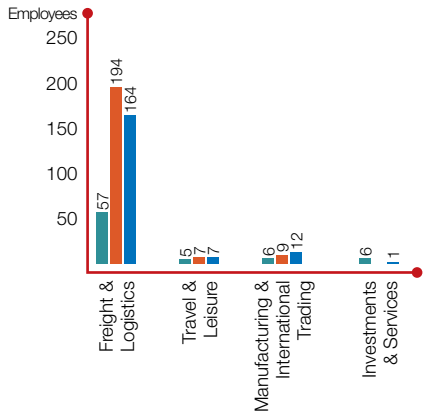
Internal Programs	38%
External Programs	62%

Internal vs External Training Programs



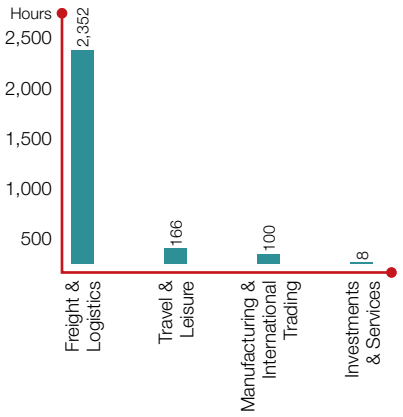
Internal Programs
External Programs

Training Category Wise



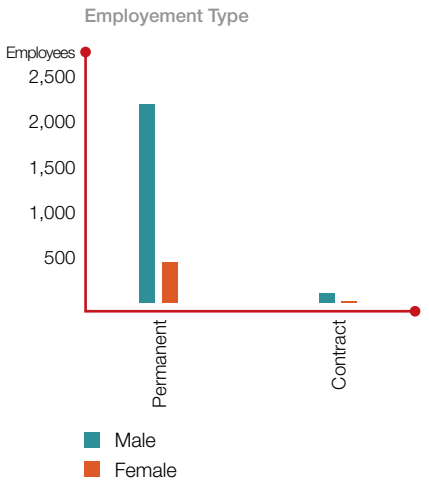
Asst. Managers & above
Executives Staff
Non Executives Staff

Training Hours



Employement Type

	Permanent	Contract
Male	2185	90
Female	448	8



Emplyement Category by Gender & Age

	Asst. Managers & above		Executives		Non Executives	
	Males	Females	Males	Females	Males	Females
18-25 years	4	1	58	30	236	57
26-35 years	102	16	210	92	303	62
36-45 years	147	30	82	23	174	20
46 years & above	72	16	41	6	75	18

** Above data does not include India and Bangladesh head counts

Fusing Strategy to Execution: Initiatives

Initiative	Description	
Expo Brain Tease 2015	In striving to broaden the Knowledge Base, the Group for the second consecutive year held the inter-company quiz competition "Expo Brain Tease 2015"on 28th of March 2015 at The Sri Lanka Foundation. The core focus of the event was to provide an opportunity for employees across the Group to interact, whilst enlarging their knowledge base in a fun filled environment. The event saw 20 five-member teams participate with each team, growing from the previous year's 14 teams. The competition covered areas from General Knowledge to Current affairs, Sports, Geography and History, Entertainment, Art and Literature, to Group Operations. The winners were awarded cash prizes and gifts.	
"It's time for a Checkup!" – Annual Health Camp	Conducted for the 3rd consecutive year on 16th February 2015 at the Expolanka Learning Center in collaboration with Hemas Hospital, the main objective of the event was to give an opportunity for employees to undergo a free health check and to receive a health status update. Medical staff comprising of doctors and nurses from Hemas Hospital conducted examinations on each participant, with tests such as Full Blood Count, Fasting Blood Glucose, Lipid Profile, Liver Function Tests together with Blood pressure and ECG tests which were followed up by individual consultation sessions including General, Dermatological, Cardio-vascular, Respiratory, Abdominal, Pelvic and Nervous system checks.	
"Help shape their future" Employee Volunteerism	Often employees are at the centre of our CSR drives. They take the onus for CSR action, initiate project ideas and follow through with compelling and impactful action that brings benefits to communities and the environment. Employee volunteerism is an accepted practice, where employees gladly offer their time and service at non-working hours to complete their CSR commitment. In 2014/15, the Group's employees came together to assist students from grades 1-5 of "Minuwangoda Asgiriya Primary school" to support them with a year's supply of books and stationary items.	
Employees Day out 2015	The Group employees day out was held at Heritance Ahungalla, in the scenic Ahungalla Beach and the Banthara River, and comprised of a host of enjoyable activities including boat rides, excursion to the mangroves, fish massages and nature trails. The day afforded an opportunity for employees to network and socialize.	

Initiative	Description
"Expo Clicks" Celebration of inborn talent	The inaugural inter-group photography exhibition was concluded at the J D Perera Gallery on 01st of November 2014. The exhibition/ competition strived to celebrate the innate skills of the Expo team, and was held with a view to recognise their creative personalities. Tharindu Perera of Expo Freight was placed first for his entry "The morning catch" whilst Trevin Joachim of Classic Travel won the second place for the entry 'White – throated Kingfisher'. Following a round of votes from employees Reny Fachmawati of Expo Freight Indonesia won the most popular photograph award for his capture titled, 'Welcoming-Sunshine-in-Bromo".

Technology Integration

Expolanka Group views IT as a strategic enabler that lends the Group a competitive advantage for sustainable growth. IT therefore essentially serves as a differentiator, allowing the Group to carve its unique niche through technological innovation in a range of global industries that are highly competitive.

With IT used as a strategic resource, the Group's IT strategy has been well aligned with the overall business strategy with a view to optimize IT resources to support and in effect achieve operational excellence. The Group therefore has formulated a strategic IT road map that seeks to facilitate greater growth across the core holdings and business sectors, a transition that allows for a more cohesive approach to IT implementation. A macro, birds-eye vision of consolidated Group business needs is therefore met through an integrated IT strategy that aims towards sustaining strategic and operational business objectives.

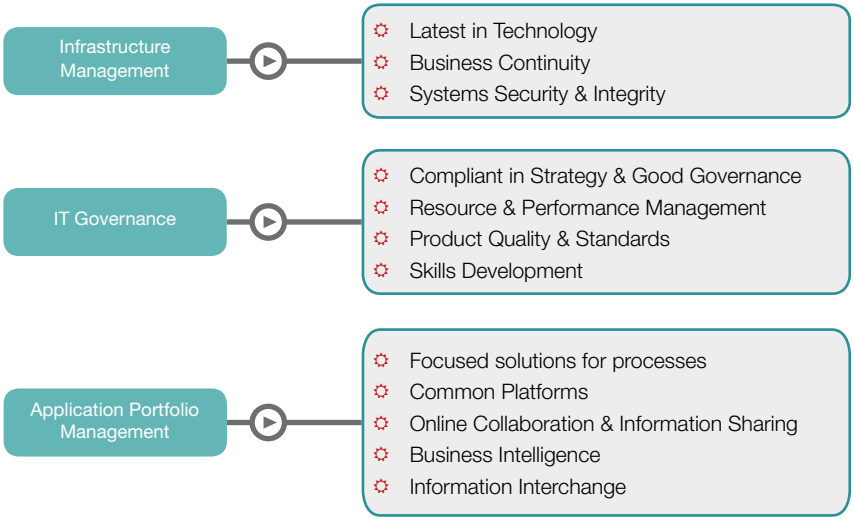


Figure – IT Strategic Framework

During the last financial year 2014/2015 Group IT continued to empower the corporate business processes by initiating many novel IT solution projects. Expolanka Group IT possesses a wide range of applications/solutions within the IT portfolio, which has been grown in-house for the last decade. These solutions are of a sustainable growth model where the systems are upgraded to address the current business requirements. There are many projects that are focused on adding significant functionality and business value to applications with the enhancement of modules for system integration in catering to important business processes or customer/agent/third party requirements. All of these can be considered as sustainable solutions that integrate with the existing legacy applications. Remaining projects were focused on implementing innovative IT solutions to address new business contexts or requirements, which deliver a new system experience to the business users. These are typically large in scope and spans across multiple month timelines.

Expolanka has the veritable standing as being among the early adopters of the innovative and cutting edge technology in Sri Lanka. The Group is one of the pioneers in the implementation of server virtualization, back in 2007 when the technology was first introduced. In line with this first mover reputation, the Group took several bold initiatives to transfer much of the Group's services and infrastructure to a cloud environment with a view to reduce the on premise footprint and portfolio. The entire organization directory structure now operates on a hybrid model with on premise and cloud models to leverage the benefits of both approaches. This model of implementation is one of the first of this nature in Sri Lanka. Similarly, Group IT was proud to host the first travel and leisure business application for Akquasun on Windows Azure cloud by setting an example of technology savvy leadership among the corporates. In summary the Expolanka Group IT had a significant year in terms of accomplishments and initiatives, further broadening its vision to become a truly global IT savvy conglomerate in the international arena.

The Group's approach to IT as a service enabler is pragmatic and systematic. The IT Strategic Framework covers the governance structure, strategic direction, goals and the action plan including key performance indicators. During the reporting year, the Group continued to invest towards the implementation of different aspects of the Strategic Framework.

Enhancing Performance, Evaluation and Measurement

Expolanka adopts a systematic process to assess the environmental and social risks and opportunities arising from its clients' business activities, manage the Group's exposure to them, and improve operating efficiency and effectiveness.

This sustainability system ensures that sustainability considerations play a part in the Group's decision-making processes, including credit assessments and portfolio analysis. It enables the Group to consider environmental and socio-economic issues comprehensively, and by so doing, move beyond simply complying with regulations to taking advantage of sustainability opportunities.

This systematic process is a part of a Group's overall management system. It extends to the Group's structure, planning activities, responsibilities, practices, procedures, processes, and resources for developing, implementing, achieving, reviewing, and maintaining the Group's corporate and sustainability expectations. The system offers a more strategic approach, with defined objectives, formal policies, action plans, allocated resources, and trained and expert staff.

At the core of this sustainability system is the ability of the Group to decide what services it will offer to which clients, what impacts of the client's business are to be taken into account, and what terms of business, advice, and support the Group will offer. A number of parallel initiatives bring policies into action, such as capacity building in training, setting measurement and evaluation standards, implementing incentive schemes, and carrying out reporting initiatives that target both the Group's shareholders as well as a wider group of stakeholders. These processes are tailored to fit the Group's business goals and organizational culture.

Performance evaluation and measurement of sustainability criteria within the functions of the Group are carried out through a range of energy efficiency, waste improvement and environmental performance criteria. The Group meets and benchmarks against Key Performance Indicators and undertakes pioneering initiatives to enhance the environmental credibility of the organization whilst minimizing its carbon footprint.

The Group wishes engage in the quantification of its carbon impact for the largest sector. Going forward, the Group considers offsetting its carbon footprint against carbon credit gained through sustainable Grouping. A green ethos continues to be a sustainable business strategy going forward.

Striking a Balance Between Sustainable Performance and Cost

The Group accepts that an effective sustainability management system can expand the range of benefits for a commercial institution. Social and environmental risk management generates indirect profits for the Group. That is, by reducing costs and risks, risk management improves the quality of the customer portfolio and lowers insurance liabilities and compensation claims. Actively pursuing opportunities by introducing and pursuing innovative and sustainable solutions/products generates direct profits in new markets, with new customers.

Another major benefit is improved brand value. This is critical for the Group, as its business depends on the trust placed in the Group and its ability to provide products and services discretely and professionally. Good brand value opens new opportunities and helps attract capital and customers. To create and maintain the Expolanka brand, the Group recognises the need to build a reputation of strong and sustainable financial performance, sound corporate governance, and solid corporate responsibility.

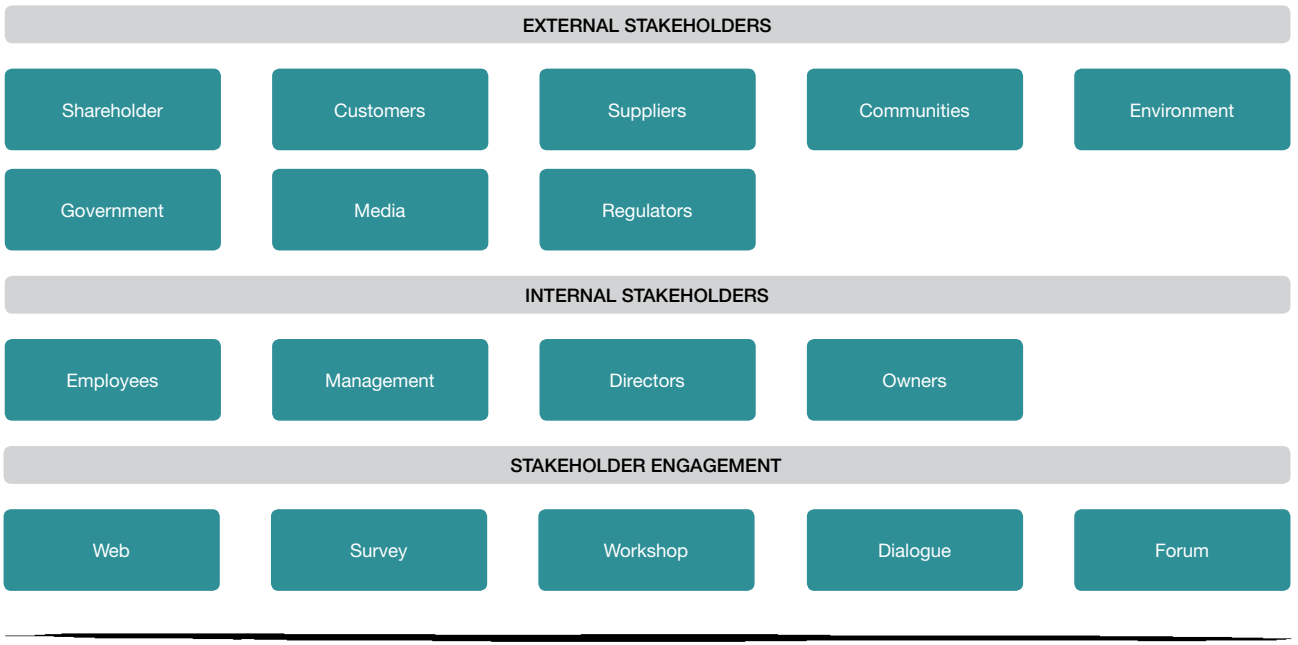
G4-24, 25, 26, 27 →

Engaging for Inclusiveness

As part of the process of managing social and environmental sustainability, the Group is cognizant of the need to increase engagement with stakeholders, making itself more open and more accountable to a wider range of interested parties. Similarly, the Group recognises the need to engage stakeholders within the organization: employees, and the governing board whilst also reaching out beyond the organization, to shareholders, investors, community groups, the government, civil society, the media, industry associations, and others, as appropriate. This process also entails communicating results clearly, openly, and thoroughly. This is very important for the Group, as its business depends on credibility, and on the trust placed in the Group by clients and other stakeholders.

On the external front, the Group engages with the wider community. Communicating the Group's performance in sustainability initiatives and social and environmental management to external stakeholders is a key component in creating long-term value. Among other things, it enhances the Group's reputation, builds its brand, and improves its image in the community.

Demonstrating financial gains from sustainable operations enhances shareholder value. Moreover, good public reporting has improved the Group's access to capital and to international markets. A major part of improving communication is engaging in clearer, more open, and more transparent public reporting on environmental, social, and economic performance. Leadership in reporting has assisted the Group to develop and differentiate itself in the marketplace and generat positive relationships with external stakeholders.



Stakeholder	Sustainable Business Objectives	Method of Engagement	Key topics/ concerns/issues	Response
Investors	☼ To meet the confidence of the current & potential investors and maintain a balance between profits and the ability to sustain a long term, stable stream of earnings.	☼ Annual General Meeting ☼ Investor Feedback Form ☼ Investor Relations Team ☼ Group website ☼ Email access to management team	☼ Better interaction ☼ Enhance financial returns & investor wealth creation	☼ Presentations to potential and current investors periodically ☼ Improved interactive website ☼ Regular email feedback of performance to investors who request same ☼ Implement best management practices to improve returns
Customers	☼ To play the role of partner in the business success of customers. ☼ To always serve customers with passion and dedication.	☼ Customer relationship management ☼ Meetings with Senior Management ☼ Daily interactions at operational level. ☼ Social events	☼ To enhance customer business outcomes through the offer of synergies drawn through business solutions ☼ Responsive interaction	☼ Dedicated customer response/ account management teams ☼ Establishment of the Expo Global Distribution Centre ☼ Customer-specific service adaptations and customisations ☼ Hi-tech Transport Management System ☼ Overseas offices in 18 countries to enhance customer response ☼ International JV's and Strategic partnerships to offer greater value

Management Approach to Core Sustainability Agenda Contd.

Stakeholder	Sustainable Business Objectives	Method of Engagement	Key topics/ concerns/issues	Response
Employees	☼ To foster a diverse talent pool that delivers superior and efficient performance whilst ensuring that such efficiency is not achieved at the expense of work-life balance, ethics or corporate values.	☼ Open door policy for communication throughout the Group ☼ Regular sector specific Meetings ☼ Round Table discussions ☼ Cross functional committees ☼ Circulars ☼ Emails ☼ Video conferencing ☼ Performance Reviews ☼ In-house Magazine ☼ Intranet ☼ Online training modules & systems ☼ Discussion Forums ☼ Surveys ☼ Grievance handling procedure ☼ Online systems for HR & Training, Measurement & management of Key Performance Indicators ☼ Brainstorming ☼ Innovation driving tools ☼ Employee suggestion schemes	☼ Getting the balance right – work life balance ☼ Creating greater interaction amongst employees of all sectors – hence Group affinity ☼ Cross functional aptitude across sectors ☼ Inspiring ☼ Employees to innovate	☼ Organizing activities outside of the work roles, ☼ Group social events that involve the families ☼ Events that bring together all employees together ☼ Group-wide committee that have representation from all sectors ☼ Programmes for employee suggestions, new thinking and employee involvement in system and process innovation

Stakeholder	Sustainable Business Objectives	Method of Engagement	Key topics/ concerns/issues	Response
Suppliers	☼ To balance cost considerations with sustainable procurement practices.	☼ Supplier surveys for ongoing relationship management ☼ Feedback evaluations ☼ Registration of Suppliers ☼ Procurement committees ☼ Committees to address supplier appeals and grievances	☼ System for handling appeals and other grievances ☼ Support micro suppliers	☼ Appointment of committees to address supplier issues ☼ New supplier registration criteria to support small time operators
Community	☼ To engage with the community through CSR ☼ To act as a catalyst for positive change through action in healthcare, entrepreneurship empowerment access to water, access to medical care, community development, and disaster relief.	☼ Sponsorships ☼ Employee involvement and volunteerism in community projects ☼ Continuous dialogue through sector CSR leaders	☼ Needs that emerged through constant dialogue with the community	☼ CSR projects that build on the platforms of health, education, community development, disaster relief
Environment	☼ To promote environmental conservation at the work place, integrating environmentally friendly practices into daily operations whilst also giving due consideration to responsible environmental behaviour outside of the workplace.	☼ Meetings and Consultancy ☼ Audits ☼ Events	☼ Climate change	☼ Eco friendly practices including 3R & 5R implementation ☼ Earth Hour ☼ World Environmental Day

G4 Index in Accordance with "Core"

G4-32 → **General Standard Disclosures**

	Description	Page Number / Direct Response	External Assurance
STRATEGY AND ANALYSIS			
G4-1	Statement from the Chairman	19-21	Yes
ORGANISATION PROFILE			
G4-3	Name of the organisation.	Inner Back Cover	Yes
G4-4	Primary brands, products, and services.	98,100	Yes
G4-5	Location of the organisation's headquarters.	Inner Back Cover	Yes
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the Report.	7-8	Yes
G4-7	Nature of ownership and legal form.	Inner Back Cover	Yes
G4-8	Markets served.	7-8	Yes
G4-9	Scale of the reporting organisation.	15, 78, 43	Yes
G4-10	Total number of employees by employment type, employment contract and region, broken down by gender.	78, 81	Yes
G4-11	Percentage of total employees covered by collective bargaining agreements.	No Trade Unions	Yes
G4-12	Organisation's supply chain.	58	Yes
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	10	Yes
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	59-61	Yes
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	56	Yes
G4-16	Memberships of associations and national or international advocacy organisations.	70	Yes
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Organisation's entities covered by the Report and entities not covered by the Report.	181-182	Yes
G4-18	Process for defining the Report content and the Aspect Boundaries.	56	Yes
G4-19	Material Aspects identified in the process for defining Report content.	56-57	Yes

	Description	Page Number / Direct Response	External Assurance
G4-20	Material Aspect, report the Aspect Boundary within the organisation.	56-57	Yes
G4-21	Material Aspect, report the Aspect Boundary outside the organisation,	56-57	Yes
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	NONE	Yes
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	NONE	Yes
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organisation.	86	Yes
G4-25	Basis for identification and selection of stakeholders with whom to engage.	86-89	Yes
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	86-89	Yes
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to them.	86-89	Yes
REPORT PROFILE			
G4-28	Reporting period.	4	Yes
G4-29	Date of most recent previous Report.	4	Yes
G4-30	Reporting cycle.	4	Yes
G4-31	Contact point for questions regarding the Report or its contents.	4	Yes
G4-32	Compliance with GRI G4 Guidelines, GRI Content Index and the External Assurance Report.	4, 90-95	Yes
G4-33	Policy and current practice with regard to seeking external assurance for the Report.	96-97	Yes
GOVERNANCE			
G4-34	Governance structure of the organisation, including committees of the highest governance body responsible for decision-making on economic, environmental and social impacts.	141	Yes
ETHICS AND INTEGRITY			
G4-56	Values, principles, standards and norms of behavior.	5 (Partially Complied)	Yes

G4 Index in Accordance with "Core" Contd.

Specific Standard Disclosures

DMA and Indicators	Material Aspects	Page Number / Direct Responce	External Assurance
CATEGORY : ECONOMIC			
MATERIAL ASPECTS : ECONOMIC PERFORMANCE			
G4-EC1	Direct economic value generated and distributed and retained.	48	Yes
G4-EC3	Coverage of the organisation's defined benefit plan obligations.	76, 192, 212	Yes
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	76 (Partially Complied)	Yes
CATEGORY : ENVIRONMENT			
MATERIAL ASPECTS : ENVIRONMENT EMISSIONS			
G4-EN15	Direct greenhouse gas emissions (Scope 1).	Not Calculated	Yes
G4-EN16	Energy indirect greenhouse gas emissions (Scope 2).	Not Calculated	Yes
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	Not Calculated	Yes
MATERIAL ASPECTS : ENVIRONMENT EFFLUENTS AND WASTE			
G4-EN23	Total weight of waste by type and disposal method.	65	Yes
MATERIAL ASPECTS : ENVIRONMENT COMPLIANCE			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	NONE	Yes
MATERIAL ASPECTS : TRANSPORT			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce.	Not Calculated	Yes
MATERIAL ASPECTS : ENVIRONMENT OVERALL			
G4-EN31	Total environmental protection expenditures and investments by type.	NONE	Yes
ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	NONE	Yes

DMA and Indicators	Material Aspects	Page Number / Direct Responce	External Assurance
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
MATERIAL ASPECTS : EMPLOYMENT			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group.	79 (Partially Complied)	Yes
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation.	76-77	Yes
G4-LA3	Return to work and retention rates after parental leave, by gender.	77 (Partially Complied)	Yes
MATERIAL ASPECTS : OCCUPATIONAL HEALTH AND SAFETY			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender.	NONE	Yes
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	NONE	Yes
MATERIAL ASPECTS : TRAINING AND EDUCATION			
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	80 (Partially Complied)	Yes
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	73-74	Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	75	Yes
MATERIAL ASPECTS : DIVERSITY AND EQUAL OPPORTUNITY			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	30-33, 81	Yes
MATERIAL ASPECTS : EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	76 (Partially Complied)	Yes
MATERIAL ASPECTS : LABOUR PRACTICES AND GRIEVANCE MECHANISMS			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	NONE	Yes

G4 Index in Accordance with "Core" Contd.

DMA and Indicators	Material Aspects	Page Number / Direct Responce	External Assurance
MATERIAL ASPECTS : NON DISCRIMINATION			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	76 / NONE	Yes
MATERIAL ASPECTS : CHILD LABOUR			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	76 / NONE	Yes
MATERIAL ASPECTS : FORCED OR COMPULSORY LABOUR			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	76 / NONE	Yes
MATERIAL ASPECTS : INDIGENOUS RIGHTS			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	NONE	Yes
MATERIAL ASPECTS : ASSESSMENTS			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	NONE	Yes
MATERIAL ASPECTS : HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	NONE	Yes
SUB CATEGORY : SOCIETY			
MATERIAL ASPECTS : LOCAL COMMUNITIES			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	114-116, 125, 130-131, 138-139	Yes
MATERIAL ASPECTS : ANTI-CORRUPTION			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	NONE	Yes
G4-SO4			
G4-SO5	Confirmed incidents of corruption and actions taken.	NONE	Yes
MATERIAL ASPECTS : PUBLIC POLICY			
G4-SO6	Total value of political contributions by country and recipient/ beneficiary.	NONE	Yes

DMA and Indicators	Material Aspects	Page Number / Direct Responce	External Assurance
MATERIAL ASPECTS : ANTI-COMPETITIVE BEHAVIOR			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	NONE	Yes
MATERIAL ASPECTS : COMPLIANCE			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	NONE	Yes
MATERIAL ASPECTS : GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	NONE	Yes
SUB - CATEGORY : PRODUCT RESPONSIBILITY			
MATERIAL ASPECTS : PRODUCT RESPONSIBILITY			
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	NONE	Yes
MATERIAL ASPECTS : PRODUCT AND SERVICE LABELING			
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	58	Yes
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	NONE	Yes
MATERIAL ASPECTS : MARKETING COMMUNICATIONS			
G4-PR6	Sale of banned or disputed products.	NONE	Yes
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	NONE	Yes
MATERIAL ASPECTS : CUSTOMER PRIVACY			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	NONE	Yes
MATERIAL ASPECTS : COMPLIANCE			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	NONE	Yes

Independent Assurance Report

G4-33 ➔

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Building a better working world

Independent Assurance Report of Expolanka Holdings PLC on the Sustainability Reporting criteria presented on the Integrated Annual Report- 2014-15

Introduction and scope of the engagement

The management of Expolanka Holdings PLC ("the Company") engaged us to provide an independent assurance engagement on the following elements of the sustainability reporting criteria presented in the annual report- 2014-15 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 48 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI G4 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative G4 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 28 April 2015. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A De Silva FCA W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

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- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2015.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative G4 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations

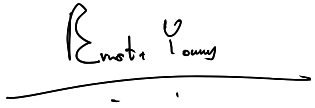
Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 48 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2015.

- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from GRI-G4-'In accordance' Core Sustainability Reporting Guidelines.

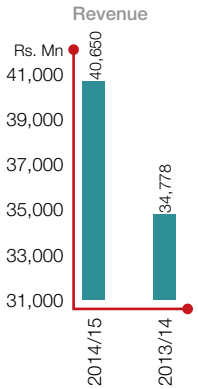
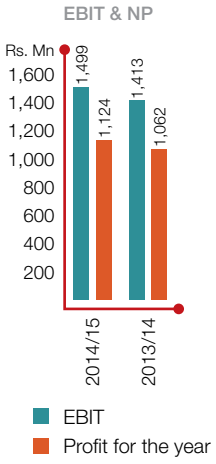
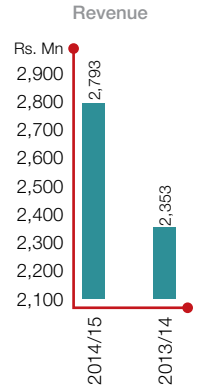
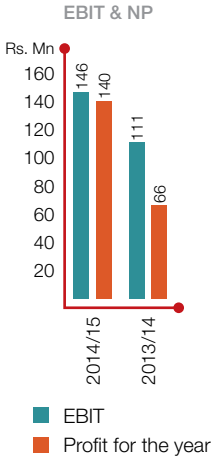


Chartered Accountants
25 June 2015
Colombo

Sector Snapshot

G4-4 →

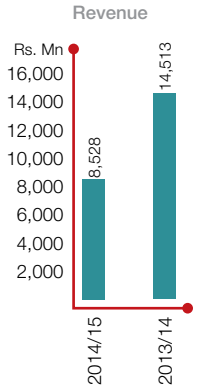
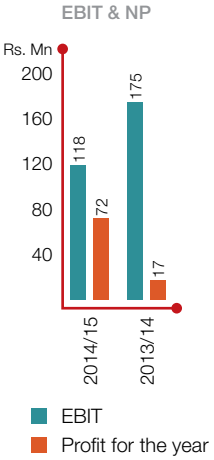
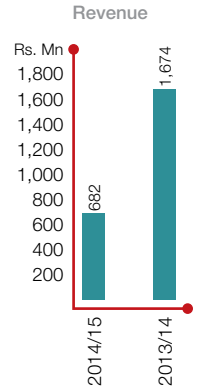
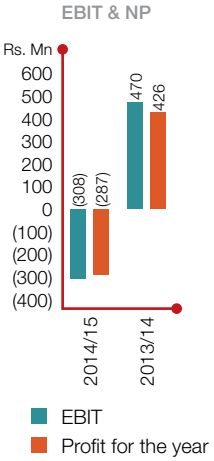
Segment	Product Mix	Highlights 2014/15
Freight & Logistics	☼ Air Freight ☼ Sea Freight ☼ Logistics ☼ Warehousing ☼ Transportation	☼ Volumes growth in Air Freight and Sea Freight 16% and 22% respectively to boost the revenue growth. ☼ Strong performance from Indonesia, USA Sri Lanka, India. ☼ Sector is making steady progress towards a solution based approach from a transaction based approach and adding value its offer. ☼ The first half of the year was challenging with lower volumes growth in US Trade lane. However strong recover in the second half supported volume growth. ☼ Sustained the positioning primarily in the niche vertical, fashion logistics.
Travel & Leisure	☼ Outbound Leisure & Corporate Travel ☼ Destination Management ☼ Expo Rail	☼ Continuous innovation of the products and services with competitive pricing enabled to drive growth and sustain market leadership ☼ Several new franchises and partnerships were established with the aim of expansion and growth. ☼ Successful turnaround of the destination management company supported growth in the sector ☼ Project underway to implement technology to drive operational efficiencies and sales via B2B platform. ☼ Classic Travels branch out into other travel segments through innovative offerings.

Revenue	Profits	Strategy
		☼ Profitable Above Market growth through global footprint ☼ Optimize Market potential in US Trade lane, growth through new customers in Europe Trade Lane and gain Market Share in Intra Asia Trade Lane and strengthen presence in Africa ☼ Value-added services to the offering by logistics solutions ☼ Focus on margins improvements through Operational efficiency ☼ Manage externalities on the environment through carbon neutral solutions.
		☼ Consolidate and Focus efforts on the outbound travel segment in the region ☼ Seek synergies between the sector companies to grow the market share – cross sell and leverage on economies of scale ☼ Explore new geographies with high outbound markets intra-Asia. ☼ Concentrate on yield management and efficient working capital management ☼ Stronger focus on branding and product development

Sector Snapshot Contd.

G4-4 →

Segment	Product Mix	Highlights 2014/15
International Trading & Manufacturing	☼ Export of Fresh & Desiccated Coconuts ☼ Export of Fruit & Vegetables ☼ Processed Fruit ☼ Processed Meats ☼ Waste Paper Operations	☼ As part of ongoing restructure efforts divested volatile businesses with varying returns ☼ Divested businesses which are not aligned with core sectors ☼ Export of fresh fruits and vegetables turnaround to record healthy results
Investment & Services	☼ GSA Services ☼ Investments ☼ Corporate Office and services	☼ Expolanka Holdings Plc divested the tea businesses, food catering business and pharmaceutical business as part of restructure efforts. ☼ The air-line GSA business rationalized costs and underwent a restructure.

Revenue	Profits	Strategy
		☼ Focus on core business to improve profitability ☼ Volume growth to generate economics of scale
		☼ Consolidate on investments that give adequate returns ☼ Divest low return investments

FREIGHT & LOGISTICS

A core business sector of the Group, Freight & Logistics has over the last three decades established itself as a premier provider of freight forwarding and supply chain management solutions in Sri Lanka and overseas. Our commitment to customers and ability to cater to all client needs positions us as a reliable provider of logistics support.

With a cluster of companies focusing on multi-modal freight and transport solutions and a global footprint, spanning four continents and 20 countries we are one of the top international Freight & Logistics service providers.

Rs. 40,650 Mn
Revenue

Rs. 1,124 Mn
PAT

15.6 %
ROE

14.9 %
ROCE

Freight & Logistics

FUSION OF INTELLECTUAL CAPITAL & HUMAN INNOVATION CATALYSES A STRATEGIC SHIFT IN SERVICE OFFER TO SOLUTION BASED BUSINESS, SECTOR DOMINATES AS PRIMARY CORE IN SUSTAINABILITY OF GROUP RETURNS

Market Overview

Tensions across the globe stemming from political upheavals, climatic catastrophes and medical exigencies collaboratively impacted on the rate of global economic recovery. The International Monetary Fund (IMF) posted downward revisions on world output growth percent and world trade volume growth rates, on several occasions during the year, reflecting the impact of these exigencies. Optimism evident across financial markets failed to translate into investments particularly in advanced economies.

After several years of stagnation, the global airfreight market showed cautious signs of recovery with a growth of approximately 4.5 percent, largely driven by the uptick in world trade over the second half of 2014. Stabilized load factors and yields as well as increased capacity and demand was evident. Concerns over the health of the global economy and a corresponding fall in business confidence did not impact air cargo during the year, although this is considered a downside risk over the course of 2015. While the global ocean freight market grew by a predictable 4 to 5 percent, it showed signs of supply-and-demand imbalance, which was driven by over capacity.

Global Freight Sees Cautious Growth

The International Air Transport Association (IATA) released full-year air cargo data for 2014 showing 4.5% demand growth compared to 2013 measured by freight tonne kilometers (FTKs). That is a significant acceleration from the 1.4 percent recorded in 2013 over 2012.

Air cargo market expansion gathered momentum as 2014 progressed. The year finished on a positive note, with growth in December accelerating to 4.9 percent, compared to December 2013. The vast majority of the growth in 2014, however, was in the Asia-Pacific and Middle East regions, which respectively contributed 46 percent and 29 percent of the expansion in FTKs. Growth was recorded in all other regions, but was particularly weak in Latin America.

YTD 2014 vs. YTD 2013	FTK Growth	AFTK Growth	FLF
International	4.8%	4.2%	49.2
Domestic	2.8%	1.8%	31.1
Total Market	4.5%	3.7%	45.7

Asia-Pacific carriers grew 5.9 percent in December compared to December 2013, and 5.4 percent for 2014 as a whole. Volumes have benefitted from increasing import demand in addition to continuing manufacturing strength. Japanese and Chinese markets were particularly important contributors. Overall in 2014, capacity expanded 5.7 percent leading to a slight fall in load factor to 55.4 percent, although this remains the strongest load factor of any region.

North American airlines reported demand growth of 2.8 percent in December and 2.4 percent for 2014 as a whole. After a slow, weather-affected start to the year, growth accelerated, driven by import and export demand. Carriers in the region cut back capacity in 2014 by 0.5 percent, helping to underpin the load factor (35.3 percent).

European airlines saw FTKs expand 2.3 percent in December, and by 2.0 percent in 2014 overall. The Eurozone remains weak and close to recession, with the effects of Russian sanctions also having an impact. Load factors also fell in 2014 as capacity expanded 3.0 percent.
Middle Eastern carriers enjoyed the strongest growth of any region, expanding 11.3 percent in December and 11.0 percent for the year as a whole. Airlines in the region have extended their networks and grown capacity by 11.1 percent to make the Middle East a hub for freight traffic. In fact they have been responsible for over 37 percent of the total increase in global freight capacity in 2014.

Latin American airlines reported FTKs falling 4.5 percent in December. This was the only region to report a decline. The picture for 2014 as a whole was growth of 0.1 percent. Latin American volumes have been affected by economic slowdown across the region, particularly in Brazil and Argentina. Capacity grew by 0.3 percent in 2014.

African carriers expanded FTKs by 12.2 percent in December and 6.7 percent for the year as a whole. Although major economies Nigeria and South Africa underperformed during parts of 2014, regional trade activity held-up, supporting demand for air transport of goods. Capacity rose just 0.9 percent for the year as a whole, helping to strengthen the load factor.

Ocean freight delivered mixed blessings in 2014 and has a guarded outlook for 2015. The industry enjoyed increased traffic, amidst signs of positive change to various industry rules and regulations.

Data Source:
IATA, 2015 January Review
IATA, State of the Industry and Economic Outlook, 2014

About the Sector

Freight & Logistics is Expolanka's flagship sector. Endorsed by the International Air Transport Association (IATA), the sector is headquartered in Sri Lanka with a network spanning 20 countries in 53 cities in the Indian subcontinent, East Asia, Middle East, Sub-Saharan Africa and North America. Currently, majority share of business is derived from Sri Lanka, India, Indonesia and Bangladesh given the bias towards the fashion vertical.

Expolanka's core competencies in Air and Ocean Freight are the foundation of the Group's business and continue to drive the growth that will enable Expolanka to retain its position among the global top five freight forwarders.
For Air Freight, continuing to expand the current business was key in 2014/15, as well as enlarging the end- to-end offering. For Ocean Freight, expansion of services was a priority with the scale of managed solutions for customers enlarged. Logistics continued to strengthen its position as a differentiator by expanding Expolanka's value-added services and end-to-end offering for international customers, especially in the fashion sectors.

Strategic Focus for 2014/15

Freight & Logistics is Expolanka's flagship sector. This is primarily due to the sector's potential in the future to dominate the market as a first mover, an innovator and leader in freight and logistics not only in the Sri Lankan context but also in the South Asian region and the global arena. Concurrent and aligned to the national strategy for hub status in freight & logistics, the Group envisions accelerated and sustainable growth for the sector in the medium to long term.

In 2013/14, consequent to a thorough review of the sector in line with the international trends, national strategy and the Group's overall strategy for the long term, Freight & Logistics sector strategy was formulated with a concerted focus on warehousing, logistics and transportation as the core sub components of future growth. These sub-sectors look to benefit from the developing trends in the global and regional arena as well Sri Lanka's status as a 'free port'.

In this respect, the sector strategy has evolved over the past few years and specifically in the year under review to one that has transposed from transaction-based to solution-based with focus on growth of the value chain. This strategy will ensure sustainability of returns in the future and is expected to be the foundation for the Group's future growth.

In line with the vision for the sector, and with an intention to grow the focus of the Group's freight & logistics operations and global presence, in 2014/15, the Group partnered with SG Holdings of Japan, one of Asia's largest logistics companies. The partnership, and the investment by SG Holdings into Expolanka Group demonstrate the criticality of the sector to the Group, moving forward.

As such Expolanka took on the onus to be at the forefront of creating the necessary competencies for Sri Lanka in terms of hard and soft infrastructure development. The key focus during the year under review was in the region of establishing unique services and facilities. As such, development of the logistics infrastructure and its capabilities such as warehousing, value addition (VAS) and transport were key. The Group strategy was also focused towards further enhancement of its strong network presence. It looked to establish a position of undisputed leadership with emphasis on leveraging competencies in the fashion logistics vertical. As a resultant of many key initiatives during the year, the sector enhanced its share of business from the apparel vertical in not only freight but also in warehousing, and a range of value addition (VAS) and transport services.

With deliberate and strategic attention laid on the provision of niche VAS products, the Group strengthened its focus on top tier accounts, providing full spectrum, customized total logistics and business solutions. This strategy has yielded high returns in 2014/15, with key accounts garnering nearly 80 percent of the revenues to the Group.

As a result of the strategic focus on the development of key global trade lanes, Freight & Logistics demonstrated compelling growth during the year, with Air Freight volumes growing by 16 percent (Import & Export) and Ocean Freight Volume growing by 22 percent. Of this, the Asia & Middle East trade lane for air exports grew by 31 percent, whilst for air imports, the growth emanated from USA trade lane, which expanded by 42 percent. On the Ocean freight front, exports grew by 55 percent to Europe whilst imports grew by 30 percent from USA.

The Case for Building Value: Global Trend Asserts Group Strategy

The Group has concertedly embraced a strategy that intends to enhance value as a precursor to building revenue and efficiency of revenue. The case for building value is one that is meaningful across the global freight & logistics industry.

The Group's freight & logistics vertical has, as such, sought to enhance the value of the services on offer. This also serves to enhance the barriers to market entry through the judicious leverage of the Group's global scale, capabilities, brand and intellectual capital.

Statistics and forecasts by global airline producer Boeing asserts the Group's market expansion strategy and the areas of envisaged growth -. "With air cargo traffic more than doubling by 2033, More than 40 percent of all freighter deliveries during the 20-year forecast period will be to carriers in the Asia Pacific region. Asia Pacific-based carriers will continue to receive a high proportion of large production freighters to serve their long-haul, intercontinental routes".

Despite the improving growth trend and outlook in the global freight industry, big challenges remain. Yields have continued to decline for the third straight year in 2014, with no immediate prospect of improvement. Cargo revenues remained basically unchanged at $62 billion, some $5 billion below their 2011 peak.

From a logistics perspective Product lifecycles are expected to shorten further as customers push for shorter contract terms. The current volatile logistics environment (freight rates, oil prices, economic crises) will create an environment where risk reduction through conservative operational measures. Setting up of contract logistics operations has been related to financial investments, which were previously recouped through longer (5+ years) contract terms. Shorter contract terms, therefore, will mean that the time to generate return on investments is reduced – this transfers the risks of the investment from the shipper to the logistics service provider. Increasingly complex supply chains and intense product specialization in shipper industries will call for increasingly specialized logistics service providers and industry knowledge and industry-specific logistics solutions have become a key requirement to gain customers in specialized industries such as apparel and pharmaceuticals.

To move forward, the global industry is focusing on providing a stronger value proposition to meet evolving customer needs and it is this intent that has been driving efforts towards sharpening of the value chain for the global industry. Likewise, and reflective of these efforts, the Group has been striving towards delivering value across the supply chain, a strategy that is definitive of the vision for the future.

Sources: www.boeing.com

www.rolandberger.at - "Switch Points for the Future of Logistics" study

Regional Demand Shifts the Growth Pattern

Asia will be the primary driver of global air cargo growth in 2015 as inter-regional and transpacific demand picks up. The increase in demand for air cargo services in Asia is highlighted by an impressive year-to-date cargo traffic increase of 6.3 percent at Hong Kong International (HKI), with the facility processing 4.0mn tonnes in the first 11 months of 2014. Overall, freight-tonne kilometers in the Asia Pacific region grew by 5.4 percent. This ranks the region second globally behind the Middle East (10.4 percent) and tied with Africa, but ahead of Europe, which experienced growth of just 2.0 percent y-o-y. Asia's growth is attributable to the increase in demand for high value goods, such as consumer electronics, which are most typically freighted by air. The world's largest international freight airport, HKI, handled a new monthly record of 421,000 tonnes in November 2014, becoming the first airport worldwide to exceed 400,000 tonnes in a month.

The Group's focus on Asia and the Middle East, therefore, is fully justified given the alignment with global trends.

Sector Performance – Region-wise

Presence in the Indian Sub-continent

India	Bangladesh	Sri Lanka	The Maldives	Pakistan
Chennai	Dhaka	Colombo	Male	Karachchi
Ahmedabad	Chittagong	Avissawella		Lahore
Bangalore		Biyagama		
Cochin		Galle		
Coimbatore		Ja-ela		
Hyderabad		Hambantota		
Kandla		Katunayaka		
Karur		Koggala		
Kolkata		Seeduwa		
Ludhiana		Orugodawatta		
Moradabad				
Mumbai				
New Delhi				
Pune				
Tirupur				
Tuticorin				
Visakhapatnam				

Presence in East Asia

Vietnam	Philippines	Indonesia	Hong Kong	China
Ho Chi Minh	Manila	Jakarta	Kowloon	Shanghai
Hai Phong		Surabaya	Shenzhen	
Hanoi		Semarang		

Presence in Sub Saharan Africa

South Africa	Kenya	Mauritius	Madagascar
Johannesburg	Nairobi (HQ)	Port Louis	Antananarivo
	Mombasa		

Presence in Middle East

United Arab Emirates
Dubai
Abu Dhabi
Jebel Ali

Presence in United States

United States of America
New York (HQ)
Chicago

New upcoming markets

Egypt
Cairo

Region: Indian Subcontinent

Regional Trend

Higher growth expectations from India, Sri Lanka and Bangladesh did not materialize fully, instead GDP growth softened, as has been the trend year on year catalyzed by the vulnerability of the global economy, growing political tensions and contracted disposable incomes. Despite declined growth, the market conditions for freight forwarding and logistics in the Indian Sub continent remained positive.

2014/15 was a year of recovery and growth for airfreight, as demand improved across the subcontinent, particularly in India. As demand enlarged, air cargo supply was constrained. Many traditional carriers continued to contract capacity, pushing rates upwards. The airfreight end-of-year peak season in 2014 was much stronger than in the previous year due largely to demand conversion on the transpacific route, as Ocean Freight shifted to Air Freight in the face of debilitating port congestion in the US West Coast.

Operational Sum Up

Expolanka registered growth in the region, with air and volumes witnessing above market growth. Notably, EFL Sri Lanka's fresh service for perishables demonstrated an enhanced rate of growth, in 2014 from Europe and Asia outbound lanes.

Operational focus for the Group in 2014/15 concentrated on investments towards enhancement of structures and capabilities, laying the foundation for future growth in India. The Group invested towards establishing an Ocean trade lane specialist team, with the intent to ensure efficient Ocean Freight operations and to manage market volatilities more efficiently.

The Ocean Freight volume in 2014/15 was above expectation, due to aggressive growth plans executed mainly in India and Bangladesh. Inventory restocking in the fashion and retail industries in the EU and the US supported this growth. Ocean Freight continued to develop its end-to-end service proposition in India, Sri Lanka, and Bangladesh and across Southeast Asia.

Charter flights out of Sri Lanka were added to the Air Freight portfolio to alleviate the strong peak season of the Trans-pacific route.

Market-specific Sum Up Sri Lanka

Sri Lanka's freight & logistics sees structural shifts to fit global needs

The Freight and Logistics industry or multimodal transport is directly connected to the aviation and shipping industries in the supply chain on movement of goods and service deliverables.

From Sri Lanka's economic perspective, the industry is well dependent on the country's declared strategy towards the establishment of the five-hub concept. An important aspect of this policy vision has been to transform the Sri Lankan economy into a "dynamic global hub". As such, over the past decade, the national policy for economic development has hinged on the policy of a hub status focused on the areas of shipping, aviation, commerce, energy and knowledge.

In its desire to support this strategy, national infrastructure has been developed and initiatives taken at governmental level to support growth of the freight & logistics industry. As such strategic policy decisions have been realised towards the achievement of a Freeport hub status. Such initiatives have materialized in the form of changes to the regulatory framework and fee structure. Most evident of these, in 2014/15 was the withdrawal of Terminal Handling Charges (THC) and restrictions imposed on the Delivery Order (DO) fees levied by freight forwarders on consignees. As a resultant, the industry has witnessed a loss of cost recovery and contracting revenue lines. However, negotiations have yielded discernible relief although matters pertaining to THC remain unresolved. However, the launch of an online payment gateway that is collaborative between Sri Lanka Ports, Board of Investment and Sri Lanka Customs will further facilitate transactions enhancing the efficiency of the port. The regularization of the Shipping industry –effected through the removal of the Terminal Handling Charges as pointed out above – are expected to bringer greater transparency to the industry and facilitate market forces albeit the short term negative effect on business.

Exports increased in 2014 by 9 percent compared to 2013 in terms of value of exports. In terms of volumes, export

cargo volumes airlifted in 2014/15 approximated 127million kilograms. Furthermore, discharged of air import goods approximated 74 million Kilograms. The Group's EFL operations garnered a fair share of the total domestic volume in Air Exports and Imports over the reporting period.

However, in relation to Expolanka's share of exports/imports, note must be made of the fact that in 2014/15, air export volumes from Sri Lanka operations significantly increased compared to 2013/14. Approximately, 70 percent of the export volumes were moved to the United States, which witnessed a health performance in air cargo.

Sri Lanka's Colombo port has a long history running into over four decades in relation to container handling. In the last financial year, the Colombo Port recorded a container throughput of 4.9 million TEUs with a 12.3 percent growth over 2013. With this surge, the Colombo Port jumped four slots up to the 29th position in the global container ports league for 2014.

Date Sources:
www.srilankancargo.com
www.slpa.lk

Opportunities for Growth of the Sri Lankan Industry

The Sri Lanka Ports Authority-controlled (SLPA) terminals and the Colombo International Container Terminal (CICT) are fluid in terms of capacity at present times. The combined container handling capacity of Colombo is about 7.65 million TEUs; this is more than 150 percent of the 2014 throughput.

Sri Lanka truly has the potential to become a South Asian logistics hub. In fact, it's an opportunity that the nation must mot compromise. Sri Lanka commands a strategic location adjacent to one of the world's busiest shipping-lanes (which by some estimates accounts for over half of global container traffic) and lies at the mouth of the vast Indian market. Already many of the ships sailing between East and West offload cargo destined to India in Colombo, rather than spending time sailing and offloading at Viskhapatnam or Chennai. So much so, that Indian cargo accounts for 75 percent of Colombo port's trans-shipment. The key to achieving a global hub status is the 'greater connectivity' and 'global competitiveness', which in turn require greater 'openness' through market-oriented policy and regulatory reforms.

Sri Lanka clearly has the potential to become a logistics hub. Expanding supply through capacity expansion is an important necessary step. Sri Lanka needs to look at means to generate demand. Demand cannot be created by capacity alone; it requires making Sri Lanka competitive on factors that matter to global logistics players. Investment in soft infrastructure, including IT and process reform must be a priority. Hard infrastructure in terms of full spectrum logistics services development is strategic to the competitiveness of the industry and the destination.

In harnessing these opportunities, many positive developments have taken place. The economy has demonstrated sustained growth and has the capacity to maintain the growth momentum into the future. Infrastructure development has boosted the growth potential especially those contributory to industrial and commercial output. Growth in the gross domestic product (GDP) of Sri Lanka was consistently robust with faster growth evident in construction, textiles, and apparel, which maintained steady expansion during the period under review.

Improved infrastructure ranging from expressways and airports to seaports and express transshipment centers have assisted towards a scenario of improved operational efficiencies in the arena of transportation and logistics. Other recent infrastructure improvements that have pushed the image of the industry to new heights have been the establishment of new facilities in the form of regional logistics distributions centers and modern warehouse distribution centers. Deregularisation of existing frameworks and complementing physical infrastructure development of roads, highways, ports and airports have brought significant attention to Sri Lanka as an emerging destination in similar light to other free ports such as Jebel Ali and Singapore.

The Challenges for Sri Lanka Operations

The Group's freight & logistics operations are highly dependent on fashion logistics. Whilst this has enabled the Group to grow competencies across the region with specialist intellectual and physical capital/infrastructure, the narrow focus can also be looked upon as a challenge.

Whilst the apparel sector has grown exponentially in the region, the long term sustainability of the sector in the Asian region can be debated, with interest of manufacturers in the African region, as cost structures expand in existing points of origin such as Sri Lanka, Bangladesh,

India, Vietnam and Cambodia. Multichannel retailing, e-commerce and erratic consumer behavior make for a challenging environment for fashion companies, pressuring them to render supply chains more efficient. Fashion is a "fresh" market where goods need to arrive at the right time, in the right quantity, at the right place and at the right quality.

A potential shift in manufacturing destination by large-scale apparel manufacturers, may well pose challenges to Group's international operations, requiring market expansion and entry into new business sectors.

From a Sri Lankan operation viewpoint, the nation's apparel industry continues to face many challenges, especially in the competitiveness agenda with countries such as China, India, Vietnam and Bangladesh becoming fiercely competitive. Notable, the rapid growth of China's textiles and garment exports has led to major changes in the world textiles and garment market. China remains as the world's largest producer of cotton, cashmere, flax and silk, as well as the biggest manufacturer and exporter of textiles in the world.

Lack of diversification of export destinations is a key challenge. Sri Lanka's textiles and garment exports are concentrated on a few export markets. USA accounted for 42.9 percent of the total garment exports while EU accounted 45.9 percent in 2013. Canada, accounted for 1.8 percent of the total garment exports. The balance 9.4 percent comprises more than ninety countries, including Australia, Japan and Switzerland.

Moreover, Sri Lanka's textiles and garment industry is mainly restricted to the export of finished clothing products (garments). Sri Lanka needs to concentrate on moving into higher value added products in order to be competitive in the international markets. For this purpose, Sri Lanka needs to produce specialized, high quality up-market garments which are less sensitive to price fluctuations. Lack of product diversification therefore is also a key challenge moving forward.

Sri Lanka now lacks preferential treatment from the traditional markets. The possibility of the GSP+ scheme being reinstated have kindled a flicker of positive sentiment that will impact the garment industry, a possibility that will catalyse accelerated growth for Sri Lanka's freight and logistics industry.

Region: East Asia

Market Trend

East Asian economies demonstrated encouraging growth and positive prospects are forecasted in the year ahead. With the advantage of location on its side, across main trade routes, the region clocks in approximately USD 5.3 trillion of global trade. Forecasted to be a the one of the fastest growing economies, East Asia reflects healthy growth propensities – from export performances to enlarging consumption patterns – which are expected to yield growth for freight businesses. However, despite demand growth, margin pressure continues to be an area of concern for the freight industry.

Operational Sum Up

The Group's Air and Ocean Freight volumes grew above market in the region supported by strong growth from US and Europe trade lanes.

Operational focus lay in investing towards development of capabilities and structure with an intent to lay a solid foundation for future growth in Indonesia. Ocean Freight continued to develop its end-to-end service across East Asia.

Operations in China operation continued to demonstrate healthy growth and profitability and during the reporting period, Expolanka expanded its operations in the market with the commissioning of an office in Shenzhen

Region: Middle East and Africa

Market Trend

Middle East and Africa demonstrated mixed market conditions in the reporting period. Africa retained its position as a region with great opportunities, however a variety of externalities ranging from political unrest. Falling oil prices to regional conflicts slowed growth in 2014/15. Ocean carriers expanded their capacities for African nations whilst airlines enhanced wide-body and freighter services into the continent. On the Middle East front, UAE's economy improved, whilst Dubai held ground as one of the most competitive and sought-after strategic logistics hubs in the world.

Operational Sum Up

The sector's operations in Dubai were restructured during the year, with the intent to turn around the operations, much of which materialized by financial year-end. Further expanding operations in the region, the Group established an agency relationship in Egypt, with a view to support Expolanka's growth strategy for the region. The warehousing developed well, capitalizing on emerging markets to use Jebel Ali as a hub.

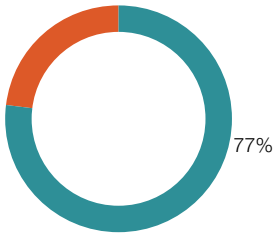
The Group leveraged the growing capacities in Africa, by strengthening the Kenyan operation with a view to improve profitability. Going forward, the Group looks to enlarge its footprint in Africa.

Sector Performance - Financial

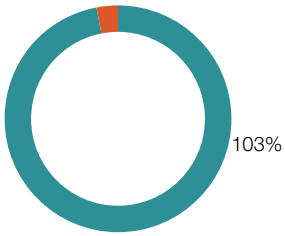
Key Indicators

Freight & Logistics			
(Rs. million)	2014/15	2013/14	% Change
Revenue	40,650	34,778	17%
Earnings Before Interest & Taxes (EBIT)	1,499	1,413	6%
Finance Cost	98	100	-2%
Profit Before Tax	1,385	1,313	5%
Profit After Tax	1,124	1,062	6%
Total Assets	14,081	13,209	7%
Total Equity	7,193	6,206	16%
Total Debt	1,028	1,097	-6%
Capital Employed	8,222	7,376	11%
Return on Equity	15.6%	17.4%	-10%
Return on Capital Employed	14.9%	16.1%	-8%

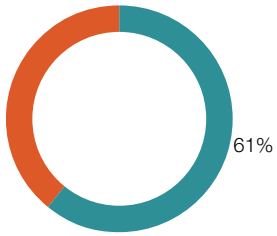
Turnover



EBIT



Capital Employed



In the year under review, Freight and Logistics lead the contribution to Group bottom-line at 107 percent and 77 percent revenue, ploughing in 103 percent of the earnings before interest and taxes.

Financial performance was commendable during the year, with the sector exceeding topline by 17 percent compared to the previous year. Significant growth movements were evident predominantly as a result of enlarged air export volumes. The sector's superior market positioning in the industry and especially in the niche area of fashion logistics enabled the Group to post PAT of Rs. 1,124 Mn.

Air exports contributed substantial revenues as well as gross profit to the sector under the stream of Fashions, Fresh and General Cargo. Performance-wise, under fashion logistics the sector moved considerably during the reporting period, a significant achievement in comparison with the previous financial years performance. However, high air volumes prevailed essentially as a

result of volatile issues pertaining to ocean freight, particularly east coast port unrest in the United States. Therefore the continuity of expanded revenues from the air exports will not materialize in the year ahead. Going forward, the continuity of this revenue stream is therefore, contentious.

Sector Performance - Operational

In a bid to meet the strategic intent, the operations of the sector were re-engineered to a new paradigm where horizontal growth remained the key focus. Therefore, the primary objective during the year was to garner growth through optimization of the value chain; based on expansion of services along the continuum of logistics, transport and warehousing to the customer base. Thus, operationally, the sector placed emphasis during the year to augment its services from transaction-based to solution-based, adding value to its offer. Expolanka's focus therefore is to offer customized solutions and specialist value-added services, with the infusion of innovation to offer customers an increasingly responsive partner. The Group looks to integrate into customer supply chains, offering solutions that shorten lead times and help with inventory management and positioning.

Investments towards infusing of state of the art technology were made during the financial year. A series of IT enhancement initiatives were instituted during the year, specifically the implementation of a state of the art ERP system. Upon full implementation, the system will enable the sector to focus on a multitude of data pockets, harnessing trends that will enable the Group to make operational decisions within the scope of the bigger, strategic picture. Furthermore, concentration on centralized shared-services like IT, finance and HR will eliminate the departmentalization and overlapping of resources. Expolanka's IT capabilities provided sophisticated analytics and advanced customer-facing information systems and going forward, the new investments towards IT will enable the Group to obtain advanced visibility over the entire Group network, further improving efficiencies for customers.

The sector's global operations focus predominantly on catering to fashion logistics. However, the sector also maintains a presence in pharmacy, sports and tech verticals as well as perishable and project cargo for infrastructure development.

From a marketwise perspective, performance contribution from the United States grew by 24 percent, although the yield was derived under pressure – primarily as a result of growth stemming from volatility in the marine freight during the year. Europe demonstrated challenges with only margin growth in volumes evident, as the Eurozone continued to see the first signs of recovery. Focused growth was mainly garnered from intra-Asia business, which demonstrated strong growth, with consumption in Asia on rise as a whole. First half of the financial year remained challenging. However, in the second half greater dynamism was evident catalyzed by a number of industry/market forces. The challenges in the US market at the latter part of the year with growing port congestion affected capacity, with growth in inventories and constraints on margins.

As a result, the sector's global operations rose to the challenge, devising innovative services and solutions to meet the market demand, despite the challenging price structures as competitiveness intensified during the year. The key strategic focus for the overseas operations, therefore, was to shift from transaction based services to solutions with long-term value-addition.

Strategic rollout of a global ERP system was the key initiative during the year, enabling connectivity and integration across all offices across the global network. The ERP platform is expected to lead to customer intimacy – through greater integration, which will enable real-time data accessibility across the value chain, irrespective of geographic or time variances. During the year focus was also laid on strengthening of the global procurement plans with air carriers whilst concerted efforts were made to sharpen and strengthen the ocean product.

New investments made towards expansion of the international network with the commissioning of operations in Hong Kong, China and the United States paid dividends during the year, with sound contribution from each of the new freight stations.

Solution-based Services

In the year under review, the segment continued to execute its evolving strategy aimed at enlarging the scope of business through the offer of value added services in the arena of warehousing and transportation. During the year, the focus was to augment the Warehousing & Transport Management service/product portfolio to best suit the requirements of key accounts. The strategy has been and will continue to be, to develop upon and integrate within the value chain of each of the key accounts. By doing, so, the

sector has successfully not only secured a long-term customer base but has also augmented the service portfolio to one that is customized and unique to each client.

With the realization of the strategy, the sector has enhanced its facilities to support growth through capacity expansion. In 2014/15, scale and scope of operations was enlarged with the commissioning of new warehousing facilities. The facility has leveraged the sectors warehousing capacity to over 250,000 square feet. The state of the art, high tech warehouse facility in Orugodawatte, strategically located close to the Colombo Port, the Katunayake International Airport and the Biyagama Free trade zone was commissioned for operations in August, 2014 supported by a cohesive Warehouse Management System (WMS).

The sector's inland trucking service model was further developed upon during the year and comprises of over 600 vehicles. From a job perspective, the trucking fleet has optimized output to close over 9,500 jobs per month. Fully equipped, the tucking fleet controlled via a Transport management System (TMS) which is enabled by Android and GPS cargo tracking technologies – which enables the management of multiple vendors and suppliers -, and is one of the most secure fleets in the region. High security measures enable real time monitoring of cargo shipments and curtail theft, illegal trade and losses. Monitored by a 24/7 control room and facilitated by a 24/7 call center, the fleet has enabled customers to re-engineer the way they do business, deriving competencies to their value chains. The TMS has enabled the sector to assure key accounts of security, transparency, brand protection whilst also enabling tighter controls and measures on cost and efficiencies.

The Expo Global Distribution Centre (EGDC), a value-added bonded warehousing facility under the free-port regulations at the Katunayake Export Processing Zone was commissioned for operations during the year under review. The center – which has an area of 240,000 square feet - is designed to provide value added services with key focus levels to international apparel retailers operating in Sri Lanka and the region. The main objective of the venture is to lock in large scale customers by providing a range of value-added logistic based services at point of origin, thus provisioning customers with not only cost efficiencies but also better management of their supply chains. The EGDC is a first of its kind in Sri Lanka and marks a new frontier for both Sri Lanka and the Group in the provision of third party logistics and retail supply chain management solutions to global customers. The EGDC service offering comprises of a continuum of services from transportation, inland centralized warehousing, clearance and value additions such as packaging, labeling and QA inspection as well the provision of a highly secure storage facility with anti-theft technology and procedures in place.

Five months into operation at the time of completing this report, the EGDC has witnessed rapid growth in business, with high closure ratios and perceptible increased demand for services. The EGDC supports multi-country consolidation, trans-shipment, entreport, storage and value added services.

Going forward, the EGDC looks to benefit from the possible re-instating of GSP+ by supporting the possible growth in Europe based customers. The possibility will also be explored to utilize the existing international operations to promote and brand the EGDC service offer overseas.

The EGDC has elevated Sri Lanka's logistics standards and is expected to enable the country to better compete with existing free port nations such as Dubai and Singapore. Whilst currently the EGDC focuses exclusively on international logistics and value addition activities in the fashion industry, the intention is to expand into other verticals in the medium term.

The inward logistics operation exceeded the financial forecasts for the year and leveraged its association with global partners to enlarge the business scope. From an operational perspective, the unit underwent process reviews to enhance the service standards by benchmarking globally accepted KPIs. Staff development remained a focal area during the year, with specialist talent development on the priority agenda. Efficiency management through consolidation of new process initiatives undertaken in the previous year, served well to enhance the operation.

The Marine logistics sub-sector performed commendably during the year in both on shore and off shore operations. Growth stemmed from global partnerships developed over the past three financial years and operational transformations yielded high returns. As a 24-hour operation, the marine logistics business has translated global best practices to its operational model and in turn, leveraged its extensive human

capital base to offer a full spectrum of specialist expertise/services to clients. During the year in review, the sub-sector was cognizant of the need to adjust the portfolio and specialize in areas that deliver sustainable value.

Key Achievements

- Commissioning of a global distribution facility to complement Sri Lanka's free port concept.
- Commissioning and strengthening of a Transport Management System – an evolving application developed to cater to the inland fleet, which features vehicle fleet master data, online booking facility, vehicle planning, job performance, costing, MIS reporting and integrated GPS and information interchange.
- Commissioning of a state of art the ERP drive towards the optimization of sector-wide operational efficiencies
- Cloud environment integrates 53 offices in 20 countries into one common platform

Future Outlook

The sector forecasts modest growth in the upcoming financial year and remains cautiously optimistic, on the back of protracted global economic volatility. The impeding effects of a commodity crisis especially pertaining to oil in the medium term and food and water in the long-term, combined with the effects of climate change will place greater stresses on the logistics industry.

Global operations in 2015/16 will continue to focus on the delivery of value additions to meet market demands. Going forward, the intent will be to shape a lean organization that is better able to manage cost challenges across the value chain, through ERP integration. The ocean product will be a key area of focus for growth, as will be the enlargement of the geographic footprint. It is expected that the full impact of the fuel price decline will only be yielded in the upcoming financial year.

The sector will continue to explore and enlarge its operations with respect to the enlarging its scope in solution-based business. The focus in the upcoming year, in this area of business will be to forge mutually beneficial collaborations through joint ventures with large-scale, value generating customers, across the Asian and Middle Eastern regions, specifically in the fashion vertical.

In the medium term, the Group looks to garner synergies from its partnership with SG Holdings, by accruing benefits from the Japanese trade lane. The Group is confident that focuses resources towards this end, will deliver results in the medium term.

From a Sri Lankan operational perspective, the Government's pursuance and lobbying initiatives on GSP+ will be a key factor for improvement of business in the medium term form the apparel vertical. The realisation of the concession will yield a significant enlargement in revenues for the Group.

Sri Lanka has strategically nurtured its supply chain to be on target to achieve $ 8.5 billion in the year 2020. The industry has proven its capacity by recording a significant growth of $ 4.3 billion in 2013 and of $ 4.8 billion in 2014. As the economy moves towards its 2020 target, the Group recognizes the role of efficient logistics services as a critical support for a successful manufacturing environment and looks to leverage Sri Lanka's free port and hub status.

Fusing Social Responsibility

G4-SO1 →

Celebrates Earth Hour: "Protect Mother Earth"

Expolanka and Expo Freight (EFL) initiated an environmental campaign to celebrate Earth Hour with a series of initiatives in 2014/15 including an 'Earth Hour Competition' targeted to the Group's Facebook fan base. Conducted for the second consecutive year, the competition that aimed to reward environmentally friendly behaviour and spread awareness about sustainable practice. 'Earth Hour' is the world's largest voluntary environmental campaign to fight climate change.

In addition to the competition, Expolanka and EFL together with YES FM launched the Planet Watch radio campaign, which focused on building awareness about a number of topics including Green Energy, Transportation, Sustainable Development, Conservation and Bio Diversity, Recycling and waste reduction. The same campaign was also aired on Dialog TV for further reach. Mass media was also used to promote the values of Earth Hour and drive listener traffic towards the Expolanka Earth Hour Facebook challenge. On March 28th, Expolanka CSR encouraged employees and social media audience alike to show their commitment towards Earth Hour by switching off all lights between 8 30pm to 9 30pm.

Winners of Earth Hour challenge

Celebrating World Water Day: Lends a Hand to Provide Clean Water to School Children

In a bid to help address the current Chronic Kidney Disease (CKD) prevalent in the Anuradhapura district, the Group came together to provide water purification solutions to four schools in the afflicted are. Over 3,000 school children in Vidyadarsha Maha Vidyalaya, Nochchiyagama, Rahula Maha Vidyalaya, Yaya, Rajanganaya, Karapittakada Vidyalaya, Karapittakada, Medawachchiya, Koongollawa Vidyalaya, Etawiragollawa, Medawachchiya benefitted from the endeavour.

The North Central Province in Sri Lanka has been afflicted by high number of CKD (Chronic Kidney Disease) cases coupled with the high mortality rate due in large to irresponsible irrigation practices. As a responsible business entity, Expolanka looked to contribute towards creating access to clean water to several schools in the affected area.

A World Health Organization (WHO) investigation revealed that 15.3 percent of the people in the North Central region are affected by CKD. The disease was first identified in 1991 in Anuradhapura district and lack of access to clean drinking water is believed to be a contributing factor to the prevalence of CKD in the area. WHO recommends providing access to safe drinking water along with better health facilities and financial support to affected areas to decrease the risk of CKD.

World Water Day

Reached 10,000 Sri Lankan Youth on Global Warming

In 2014/15, the Group launched "Reach 10,000 Sri Lankan Youth". Through this project, the Group plans to reach over 10,000 Sri Lankan youth across the island in different geographies, and socio economic group with one key message; that of Global Warming and Climate Change. Every event is expected to involve the participation of an average of 300 Youth coming together to create awareness and address the issues of global warming & climate change through proactive participation.

Awareness and tree planting with youth

Brand Ambassador Miss Sri Lanka Earth 2013 Solange Kristina

Uplifting biodiversity

On World Environment Day 2013, the Group joined The Hiniduma Tree Planting Initiative with Carbon Consulting Company (CCC) and Rainforest Rescue International (RRI) to help preserve the rainforests of the country. Recognised as one of the finest biodiversity hotspots in the world, Sri Lanka is blessed with a flagship ecosystem, similar to the likes of Malayan peninsula rainforests. However, due to continuous deforestation, disintegration for agricultural purposes and illegal logging of timber, only 4 percent of the country's rainforest cover is said to be remaining.

The initiative announced on World Environment Day aims towards the setting up a biodiversity corridor between the two large remnant disturbed ainforest patches – Sinharaja and Kanneliya and to conserve buffer zones around the forest edges using the 'Analog Forestry' concept. This project will plant over 1,000 trees initially. As the area surrounding the rainforests is located in the Hiniduma area, the project is titled 'Hiniduma Bio Link Corridor '

At the forefront of biodiversity conservation, the Group aims towards improving not only the environment

but also the connecting sources such as communities around the area. As a secondary objective, the project aspires to augment the livelihoods of traditional communities living in close proximity to tracts of natural forest where biodiversity is high, but under imminent threat. Subsequent to identifying and approaching farmers in the forest-edge communities along the Kanneliya Reserve buffer zone, the Group has involved these communities to collaborate for the success of this unique project.
In the long term the project adopts a 'payments for Ecosystem Services' model where participating farmers will receive staged payments in return for looking after the trees. Participants are paid a monthly amount for every tree that they continue to preserve for the duration of the project, which is 20 years.

Fusing Employee Responsibility

EFL – Sri Lanka

Health & Wellness Camp 2014:
The annual Health Camp was held on the 2nd & 4th of April 2014 and subsequent clinics were also held for the Warehousing & Logistics divisions. All employees were subject to a range tests determining their personal fitness along with an assessment of the nutritional habits. Advice was given on action areas.

Driver Awareness Programme:
A half-day training session was conducted for all of EFL's drivers on road rules and regulations. A focal program aimed at enhancing the quality of driving, safety and healthy aspects of road usage and conducted by a Senior Police Officer from the Traffic Division.

Support for Education:
The "B" Team of EFL-SL conceived a project to provide schoolbooks to the children of all minor staff of the CFS (Central Freight Station), Cargo Village and Transport divisions. A total of 143 children were gifted books and stationary items to commemorate the start of the new school year.

Cricket Fiesta 2014:
A cricket fiesta was organized in November at the Oval Grounds in Colombo. The fiesta has the participation of over 30 teams across the Freight & Logistics Sector. The overall winners were the team from SG Logistics while EFL CFS team emerged as runners up.

EFL Super Sixes 2014:
The Warehousing & Transport cluster held a full day six-a-side cricket tournament in Colombo with 22 teams vying for dominance.

EFL – Vietnam

Celebrating Christmas:

The Vietnam operation organized the annual Christmas party in December 2014 for the staff and their families. A series of annual team building activities were held during the summer holidays at "Nha Trang", an offsite location.

EFL- Bangladesh

Bengali New Year:

In keeping with the annual tradition, the EFL team in Dhaka celebrated the Bengali New Year. The day's events featured an adaptation of the life styles of rural Bengali folk where EFL colleagues staged traditional folk songs and plays. In addition, team games were organized for employees to promote team building.

EFL – Hong Kong

Welcoming of the "Year of the Horse":

The Hong Kong office held a celebratory event to welcome the Chinese New Year.

EFL – India

Annual Sports Event:

EFL India organized its annual sports event in September 2014, just as in the previous years a number of keen athletes took part in this event

TRAVEL & LEISURE

Expolanka operates a bouquet of companies focusing on inbound and outbound travel, destination and leisure management services. Capitalizing on the booming travel industry for business and leisure, we provide an array of services to discerning customers.

With Sri Lanka's only round-the-clock travel agency, a super luxury train service that redefines rail travel in Sri Lanka and global destination management companies, Expolanka has carved a niche in the Travel & Leisure sector.

Rs. 2,793 Mn
Revenue

Rs. 140 Mn
PAT

39.1 %
ROE

32.8 %
ROCE

Travel & Leisure

FUSION OF CONSUMER INSIGHT WITH A STRATEGY OF MARKET DISSECTION – OFFER OF MARKET RELEVANT PRODUCTS AND SERVICES THAT ARE SPECIALIST AND SUPPORTS HIGH VALUE GROWTH

Global Travel & Tourism Remains Buoyant

As per the World Travel & Tourism Council (WTTC) Travel & Tourism as a global industry generated USD 7.6 trillion (10 percent of global GDP) and 277 million jobs (1 in 11 jobs) for the global economy in 2014. Recent years have seen Travel & Tourism growing at a faster rate than both the wider economy and other significant sectors such as automotive, financial services and health care. Year 2014 was no exception. As per 2014 UNWTO World Tourism Barometer, International tourist arrivals surged, reaching nearly 1.14 billion (up 4.7 percent from 2013) and visitor spending more than matched that growth. Visitors from emerging economies represent 46 percent share of international arrivals (up from 38 percent in 2000), demonstrating the growth and increased opportunities for travel from emerging markets. For 2015, UNWTO forecasts international tourism to grow by 3 percent to 4 percent, further contributing to the global economic recovery.

By region, on an arrivals front, the Americas (up 7 percent) and Asia and the Pacific (up 5 percent) registered the strongest growth, while Europe (up 4 percent), the Middle East (up 4 percent) and Africa (up 2 percent) grew at a slightly more modest pace. By sub region, North America (up 8 percent) saw the best results, followed by North-East Asia, South Asia, Southern and Mediterranean Europe, Northern Europe and the Caribbean, all increasing by 7 percent.

Travel & Tourism Earnings hit Record High

International tourism receipts increased by USD 48 billion in 2014 to reach a record USD 1,245 billion. An additional USD 221 billion was generated from international passenger transport, bringing total exports from international tourism up to USD 1.5 trillion.

Europe, which accounted for 41 percent of worldwide international tourism receipts, saw an increase in tourism earnings in absolute terms of USD 17 billion to USD 509 billion (euro 383 bn). Asia and the Pacific (30 percent share) saw an increase of USD 16 billion, reaching USD 377 billion (euro 284 bn). In the Americas, (22 percent share), receipts increased by USD 10 billion to a total of USD 274 billion (euro 206 bn). In the Middle East, (4 percent share) tourism receipts increased by an estimated USD 4 billion to USD 49 billion (euro 37 bn) and in Africa (3 percent share) by USD 1 billion to USD 36 billion (euro 27 bn).

Changing Dynamics Offer Opportunities

Globally, the weakness and potential volatility of many currencies against the US dollar and a deep recession in Russia, a key outbound market, will slow outbound spending in line with slower world trade overall in 2015. However, falling oil prices will bring significant improvements for net oil importers in 2015, easing upward pressure on living costs, increasing disposable household incomes and domestic consumer spending, and lowering air fares. As a result, Travel & Tourism expansion is forecast to continue at a stronger rate than last year, with the total contribution to GDP expected to increase by 3.7 percent. New destinations and investment opportunities will also continue to emerge as tourism becomes increasingly affordable across the developing world.

Global outbound travel growth in 2014 was once again driven by Asia (up 8 percent) and South America (up 5 percent) as well as North America (up 5 percent). Europe - grew by a solid 3 percent despite low economic growth. Africa grew by 4 percent but the Middle East region was down by 4 percent. In terms of individual source markets, Germany maintained its position as the world's largest outbound travel market this year ahead of USA and China.

Long Haul Travel continued to grow faster than short-haul travel this year, World Travel Monitor figures showed. This six largest long-haul source markets are the USA, UK, China, Canada, Japan and Germany while the top six long-haul destinations are the USA, UK, Thailand, Italy, China and Germany.

The boom market segment, however, has been city trips, which have soared by 58 percent over the five years to reach a 20 percent market share.

Online bookings in 2014 continued to boom with a further 7 percent growth to reach 66 percent share of all travel bookings worldwide. The global market share of travel agency bookings has less stabilized to 24 percent, notes World Travel Monitor. Notably, there was a sharp

increase in bookings by smartphones in 2014, with China (10 percent share) leading the trend followed by USA (7 percent share) and Japan (5 percent share).

Customization and specialist services became an inherent demand from customers. The ITB Travel Trends Report notes that consumers have become "increasingly extreme in expectations", due to their propensity to "lead more digital lives". James Ramsay, business strategist consultant with Lithium Technologies Europe, noted that specialist forums, Lifestyle platforms and collaborative brand communities spurred customer interest and action.

MICE continued to enlarge its space within the global travel & tourism industry. Key market segments in the corporate meetings sector – information and communications technology, automotive, pharmaceuticals and construction – have experienced growth in 2014, boosting the demand for corporate conferences, product launches, and training events. The developing world, in particular China and the Middle East, is where this growth has been most significantly witnessed. The incentive travel sector has also seen resurgence in 2014, with convincing evidence of growth in demand, rising budgets and the use of a greater variety of destinations for the hosting of such events. In terms of the outlook for 2015, modest levels of growth are forecast for the global economy as a whole, although that growth will be most significant in Asia, the Middle East and Africa. For the meetings and events industry, forecasters are practically unanimous in their predictions that 2015 will witness continuing expansion.

For 2015, UNWTO forecasts international tourist arrivals to grow between 3 percent and 4 percent. By region, growth is expected to be stronger in Asia and the Pacific (up 4 percent to 5 percent) and the Americas (up 4 percent to 5 percent), followed by Europe (up 3 percent to 4 percent). Arrivals are expected to increase by +3 percent to +5 percent in Africa and by +2 percent to +5 percent in the Middle East.

Demand is expected to continue growing in 2015 as the global economic situation improves despite the inherent challenges. On the positive side, oil prices have declined to an unprecedented level and this is expected to lower transport costs and boost economic growth by lifting purchasing power and private demand in oil importing economies. Yet, it could also negatively impact some of the oil exporting countries, which have emerged as strong tourism source markets.

Data Source: UNWTO Tourism Barometer 2015, www.wttc.org

Sri Lanka – Inbound & Outbound

The direct contribution of Travel & Tourism to the Sri Lankan GDP in 2014 was LKR 462.1 Bn (4.8 percent of GDP) and expected to rise by 1.3 percent to LKR 468.1 Bn in 2015. Leisure travel spending (inbound and domestic) generated 86.8 percent of direct Travel & Tourism GDP in 2014 (LKR 639.3 bn) compared with 13.2 percent for business travel spending (LKR 97.1bn).

Sri Lanka's total outbound market approximated LKR 38 Bn which primarily represents the B2B to market in 2014 and continued to maintain growth momentum witnessed over the past decade. Outlook for outbound market remains positive in the face of growing disposable incomes, positive attitudes towards overseas travel for leisure and the multiplier effect of the entry of low-cost carriers to the destination, with all airlines vying to offer competitive fares in a bid to maintain market share. Further, Sri Lankan corporates have embraced the offer of incentive travel to cost-efficient markets to overcome the enlarging cost bases at domestic resorts.

Changes in outbound consumer behavior were evident. The emergence of new markets, fragmentation of larger markets into sub markets, better demographic and psychographic research, and the growing viability of niche markets have enabled the development of new product offerings or modifications, as well as line extensions with new markets and existing products. Currently the outbound travel market is fragmenting. Activity-based travel has shown strong growth whilst there is a change in trend from destination-based travel to experience based travel. Consumers want to immerse themselves more fully in local cultures and experiences to have a truly satisfying travel experiences. In the local consumer context, there has also been growing tendency for consumers to rely on technology-based applications for travel booking circumventing the traditional travel agency services. Mobile and Internet app utilization is growing, whilst the tendency to seek out "deals" via the Internet is also on the rise.

About the Sector

Expolanka operates a cluster of companies focused on inbound and outbound travel, destination and leisure management services. Capitalizing on the booming travel industry for business and leisure, the Group provides an array of

services to discerning customers, offering specialized, customized services.

With Sri Lanka's only round-the-clock travel agency, a super luxury train service that redefines rail travel in Sri Lanka and global destination management companies, Expolanka has carved a niche in the Travel & Leisure sector.

Sector Strategy & Potential

The Group's travel and leisure sector is directly aligned to global travel and tourism growth forecasts and strategies. Alongside, global growth, the Group strategises growth in tandem with regional travel trends for Asia and the Far East as well as the Sri Lankan national strategy for aviation and tourism. Much of the Group's travel and leisure vectors operate in the Asian region with focused interests in the middle east and far east. The Group is cognizant of future growth emanating from these markets but is also focused towards development opportunities consequent to the potential leverage of Sri Lanka hub strategy as Asia's transportation (maritime and aviation), tourism, energy, financial, commercial and knowledge hub.

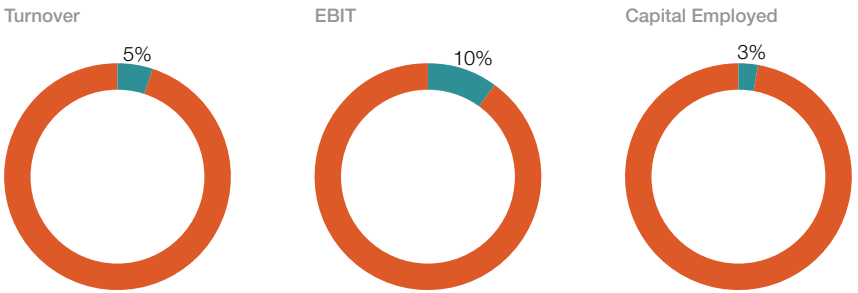
New business vectors in B2B and online directly reflect economic progress in the region and correspond against strong forecasts for economic growth for the Asian region including that of Sri Lanka. They are also reflective of the Group's response to global trends towards technology based sales and marketing. Additionally, global tourism and travel trends and consumer trends are providing opportunities for the sector to re-engineer its service platform to derive avenues for higher value growth in the medium term.

Strategic Focus for 2014/15

The strategic focus for the year was to consolidate the sector operations whilst infusing a greater degree of specialization to product/service offer. As such in 2014/15, the sector, through a process of creative innovation, deconstructed the travel & leisure market to derive dissected, specialist areas of operation as focal service offers. The strategic initiative was undertaken with the intention to enhance the spectrum of services on offer as well as the strategic return from the sector, the establishment of the new areas of operation fuse with the changing consumer and market trends within the global travel & tourism industry. Going forward, the changes to the sector are envisaged to be key determinants in deriving high value returns.

Sector Performance - Financial

Travel and Leisure			
(Rs. million)	2014/15	2013/14	% Change
Revenue	2,793	2,353	19%
Earnings Before Interest & Taxes (EBIT)	146	111	31%
Finance Cost	1	27	-98%
Profit Before Tax	156	84	86%
Profit After Tax	140	66	113%
Total Assets	1,419	1,209	17%
Total Equity	357	221	62%
Total Debt	70	153	-54%
Capital Employed	427	374	14%
Return on Equity	39.1%	29.7%	31%
Return on Capital Employed	32.8%	24.8%	32%



The travel and leisure sector posted commendable returns in the reporting period, underpinned by the sectors' focus on enhancing value and enlargement of market share and product offering.

The sector recorded significant growth in revenue to reach Rs. 2,793 Mn, garnering financial returns in line with forecasts for the year. Net profits grew by a commendable 113 percent. The sector accounted for 5 percent of the Group's revenue and earnings in the year under review.

Sector Performance - Operational

Outbound Operations

The sector's outbound operations continued to witness an increasingly competitive industry framework. As Sri Lanka's outbound industry is estimated to comprise of over six hundred travel agencies, price sensitivity is a major characteristic of the market. However, despite the scale of the industry, major scope of the business remained with a few large scale (companies with a heritage – having operated for 30 years or more) players, as they continued to yield economies of scale and therefore were able to offer value to the customers. Growth was also assisted by positive enlargement of the inbound travel.

Classic Travel, Expolanka's outbound operator, maintained market leadership despite being a younger market participant through continuous innovation of the product and service offer. Classic Travel, recognised globally for its renowned experience in the field of travel and leisure and also considered the leading travel companion in Sri Lanka for its total travel solutions to both the corporate and leisure market continued to maintain its position in the first two leadership slots amongst all airlines operating into Sri Lanka.

In the year under review, outbound operations were re-engineered with the addition of a number of innovative consumer relevant service offers. Having studied the market requirement and understood the need to consumer needs, the outbound team derived a strategy to garner higher value returns that are sustainable in the long run. To do so, based on key consumer insights, the travel product spectrum was evaluated and dissected with a view to determine market gaps. Having done so, the sector was able to identify the most relevant market gaps in line with consumer research, and thereby shape products and services that best fit these requirements. The development of these new products/services was also well aligned with the transition of the sector's focus from transaction led business to value based business.

As a result, during the financial year, TravelBridge was launched, as a subsidiary of Expolanka Holdings, with the intention to tap business travel needs. The unique innovation in Business-to-Business (B2B) travel solutions offers one-point access to all travel services, customized solutions and specialist resources to better meet corporate travel needs. More a portal, the TravelBridge will see a host of travel related suppliers come together to offer bouquet of inter-related services. TravelBridge, a Business to Business (B2B) solution which draws on an extensive portfolio of services from award winning travel brands to give travel agents, the best value in travel options. TravelBridge's winning formula encompasses over 200,000 hotel properties, affordable escorted tours, award-winning cruises and inside excursions. The Company's services include Groups & FIT Travel, Hotel Bookings + Transfers + Excursions, Cruises + Shore Excursions + Pre/Post Night Accommodation Packages, Short-Stay Transit Packages, Domestic Air Tickets in India, Apartments and Long-Stay Packages, Value for Money Global Fixed Departures and Customizable Luxury Escapes Worldwide. TravelBridge is in essence an innovative initiative designed to streamline the process of organizing outbound travel.

On a similar front, Bongo was conceptualized during the year, to offer personalized travel planning through an online platform for individual travelers who seek personalized solutions. Bongo is a B2C product, and the intention during the year was to launch a solution based service for higher-end customers who seek value and not necessarily the cheapest on offer. Bongo has tapped the requirement of customers who seek constant interaction, and offers mobile interfaces and applications.

Classic Vacations was conceived during the year to fill gaps in the "Holidays" segment of the leisure business and to address niche markets within this segment. Whilst offering FIT and Group packages, Vacations will also focus on growing the special events segment in addition to other niche markets.

During the year Classic Travel reached a strategic partnership with Egencia, a world-class full-service corporate travel solutions company. Accordingly, Classic Travel will serve Egencia's global clients, following Egencia's processes while delivering local value. Egencia provides expert local service to more than 10,000 clients in more than 60 countries around the business region.

The Outbound operations – through Classic Travel – was recognised during

the year as one of the "Great Places to Work". The award is very significant in that it was a first for the industry – travel agents and airlines – to be selected for the award. The company garnered additional recognition with an award for "work & life balance".

Operationally, during the year, the outbound vector underwent numerous process re-engineering efforts in a bid to streamline its operations. Investments were made during the year towards infusing state-of-the-art-technology as a catalyst to streamlining the operations, in recognition of the fact that improved processes will lend the business a pivotal edge in not only building efficiency and enhancing productivity but also in terms of creating better decisions through integration of key aspects such as Customer Relationship Management and demand/supply forecasting. The system will operate on an Oracle platform, and will be fully integrated across the different business entities and vectors.

Classic Travels also expanded its footprint across Sri Lanka and the Maldives with the establishment of a number of new travel offices; bringing its total network to 7. From a product innovation perspective, the Company remained the only 24-Hour travel agency in Sri Lanka that is supported by a 24-Hour call center, visa documentation assistance, fully-fledged studio and the convenience of an in-built bank.

Destination Marketing

Akquasun, the Group's global destination management company maintained its focus on establishing itself as a dominant player. Akquasun Group is a B2B DMC Network, handling groups and FIT's, MICE, Back to back tours, hotel bookings, transfers and excursions, luxury holidays, special interest tours and events in 15 destinations - Sri Lanka, Maldives, Thailand, Mauritius, Cambodia, Hong Kong, China, Malaysia, Russia, USA, UK, South Africa, Vietnam and Dubai. Headquartered in Mumbai, Akquasun has a network of sales offices in India covering Chennai, Bangalore, Calicut, Mumbai, Ahmedabad, Pune and Delhi. India is the leading source market for Akquasun Group with new markets emerging from China, Russia and the Middle East. While India continues to dominate the demand for the DMC's business, there has been a considerable growth in business in the Middle East and Far East. This movement is line with the emergence of Asia as a top contributor to global tourism arrivals in 2014.

In the financial year under review, Akquasun reaped the benefits of the company's restructure undertaken in 2012/13. The franchise model adopted thereafter has assisted the company to become more fluid and aided quick decision-making, thus enabling Akquasun to match the evolving needs of the global market with speed and efficiency. By the end of the financial year, the network grew to fifteen destinations, up from ten at its inception. With a concerted focus on growing the B2B and MICE business, Akquasun launched a B2B online portal with live inventory across the Akquasun DMC network. This integration has enabled the DMC to have company-wide visibility and thus assist towards efficiency in operations. The B2B model is seamlessly integrated with the DMC back-office system and offers real-time information to customers.

Operationally, process re-engineering through IT refinement also assisted Akquasun to redefine the service offer with customized solutions talking precedence, especially in B2B solutions. Going forward, further investments towards IT will be critical to how the DMC leverages its position in the market.

India is a critical market for Akquasun, recognizing the scope of the outbound market, which estimates to be 20 million annually. It strives to cross-sell its other destinations through India, given the large scope of opportunity in this originating market. With Middle East gaining ground as an emerging market for originating traffic, Akquasun's operations have been growing in the destination with significant growth evidenced from this market. During the reporting period, entry into Cambodia and Vietnam materialized. It is expected that the two markets will further assist growth in the Asian market. USA operations remained key to 2014/15 performance with 300 percent growth evident and is considered as a core market going forward in the upcoming financial market.

Expo Rail

Expo Rail is a first of its kind train operation in Sri Lanka, one that has raised the bar of excellence and redefined rail travel in the country. Coming into operation in 2011 with a daily super luxury carriage service on the regular Colombo-Kandy intercity train, Expo Rail now operates on two major routes covering 40 key destinations. Expo Rail offers the very best in passenger rail transport setting high standards and the Company seeks to bring to reality a strategy of "Rail Travel Redefined". Successfully collaborating with Sri Lanka Railways on a private-public partnership

model, ExpoRail provides premium services on key rail routes.

ExpoRail entered its fifth year of operations in 2014/15. During the year, focus was maintained on service levels. However despite growth in passenger volumes, the operation was encumbered by below target financial returns given the dependence on externalities.

Key Achievements

- Launch of Travel Bridge – B2B online portal.
- Launch of Bongo – FIT online portal
- Commissioning of a state of the art the ERP drive towards the optimization of sector-wide operational efficiencies
- Launch of Classic Holidays – specialist holiday solutions
- Launch of Akquasun's B2B portal
- Akquasun's entry into Cambodia, Vietnam and UK

Future Outlook

Looking further ahead to 2020, The World Travel Trends Report predicts that "modest" growth in the developed world will mainly come from more trips per inhabitant, leading to a higher travel frequency. In contrast, emerging markets will grow fast due to a surge in first-time visitors. The 'new world middle class' is expected to double by 2030, resulting in 1.5 billion more middle- class eager to travel around the world. This will change the picture of world travel over the long term. Regions such as Asia and the Middle East are expected to close the 'travel gap' with mature markets (Europe, North America, Japan, Australia / NZ) while growth in the "South" is predicted to be led by countries such as Brazil and India. Thus, the Group recognizes the sector and its own strategy of focus on emerging markets as the crux of growth in the future. Robust growth in the Asian region will propel the Group's interests in Travel & Leisure over the next decade, fuelled by investments it has already made towards the optimization of its service vector in travel and leisure.

As such in 2015/16, the focus of the outbound operations will be to consolidate the new ventures, stabilizing their returns against predetermined goals, whilst also seeking to enlarge its role along the travel and leisure value chain. International Air Transport Association's (IATA) Billing & Settlement Plan (BSP), which now stands at 7 days, continues to pose intense pressure on working capital and cash flows and will be a key challenge in the upcoming financial year.

MICE operations contributed 30-40 percent of growth from a product perspective for Akquasun in 2014/15 and remained more profitable than other product pillars. Going forward, the key focus will be to grow revenue from MICE operations. It is also expected that investments into the IT platform will assist towards volume growth in a sustainable manner over the medium term. For the DMC operations the new destinations – Middle East, Europe and China – will drive additional growth in the years ahead. Profitability will be an area of significant focus – with the vector looking to derive economies of scale. In this effort, technology – specifically IT – will play a critical role, as innovations in IT will enable the DMC to optimize its operations across the globe.

For Expo Rail, future viability will hinge on governmental policies, going forward. Whilst the Group remains committed to infuse innovation to consistently redefine the rail experience, external determinants are the critical elements that will define the outcome.

Fusing Social Responsibility

G4-SO1 →

School Children as Environment Pioneers

Executing the Group's wish to promote environmental conservation practices, Classic Travels stepped forward to fund a fully-fledged 'green project' in Sri Sudarshanarama Junior School, Batapotha. Implemented in collaboration with the Central Environmental Authority, the project covered a wide array of activities to protect the environment within the school promoting to become 'Environmental pioneers' under the Environmental Pioneer Programme (EPP). EPP was implemented by the Environmental Education and Awareness Division of the Central Environmental Authority in 1984, and supports the realization of the strategy to upgrade Sri Lanka's natural environment through the utilization of green concepts.

Environmental Pioneers Tree Planting

INTERNATIONAL TRADING & MANUFACTURING

Pioneering the export of fresh produce from Sri Lanka, Expolanka has rapidly expanded its range of export products to a fuller spectrum. Agricultural products such as coconut products and other commodities join our original core products as our expansion opens fresh pastures including the Middle Eastern, European and the African markets. Our excursion into the manufacturing sector is marked by our diversification into varied industries. The manufacturing sector adds to the group portfolio an assortment of interests, including fresh and processed Food produce and eco-friendly paper recycling. Expolanka's success in these industries have ensured healthy market share and consumer appreciation in these industries.

Rs. 8,528 Mn
Revenue

Rs. 72 Mn
PAT

8.4 %
ROE

10.6 %
ROCE

International Trading & Manufacturing

FUSION TO CORE STRATEGY THROUGH DIVESTMENT OF NON-CORE STRENGTHENS SECTOR'S FUTURE RETURN

About the Sector

International Trading & Manufacture was Expolanka's pioneer area of business decades ago, as it entered commercial operations. Pioneering the export of Fresh produce from Sri Lanka, Expolanka has rapidly expanded its range of export products to a fuller spectrum. Agricultural products such as coconut products and other commodities join our original core products as our expansion opens fresh pastures including the Middle Eastern, European and the African markets.

The Group's entry into the manufacturing sector is marked by diversification into varied industries. The manufacturing sector adds to the group portfolio an assortment of interests, including fresh and processed food produce and eco-friendly paper recycling. Expolanka's success in these industries have ensured healthy market share and consumer appreciation in these industries.

Sector Strategy & Potential

The International Trading & Manufacture sector underwent further reshaping during the year under review. Aligning itself alongside the Group strategy to concentrate on core business, the sector witnessed the divestment of tea and herbal pharmaceutical business pillars. The divestments were made with the intention to sharpen the focus of the sector on areas of business that can grow in the future, in line with global growth and demand trends. The intent has been and will be to focus resources and investment towards business pillars that will yield significant contribution to Group revenue. Returns, scalability and scope remained the critical criteria in the divestment analysis.

Within the remaining business pillars – perishable products, processed foods and eco-based paper products – focus during the year was to initiate and consolidate process re-engineering efforts, with a view to sharpen business focus and improve returns.

The commodities business inherently witnesses volatility in profitability due to the nature of the business –i.e. perishability of produce, price volatility and supply dependence on climatic conditions and a high asset requirement. In view of this, the sector's commodity portfolio was well assessed during the year and certain critical decisions taken towards further strengthening the sustainability of returns. Therefore, at the end of the financial year, the sector consolidated a more stable, contracted commodities cluster that is expected to deliver with higher returns, consistently in the long term. As such, the tea business –predominantly the bulk tea component – continued to be affected by cost and price volatilities as numerous externalities infringed on the scale and scope of the business. The perishable pillar, which was consolidated in 2014/15, was further consolidated in the year under review, with focus given to key high demand products. The pillar was restructured with the in fusion of new management during the year.

During the year, in the area of manufacture, Expolanka divested its interests in Baraka as an opportunity arose to garner greater return through divestment, in comparison with returns scope for the business in the medium term.

The strategy going forward will be to consolidate the sector's business pillars, although the Group remains open to further divestments, should the divestment opportunities supersede forecasted growth for each pillar in the medium term.

Sector Performance – Operational

Perishable Operations

The sector's perishable operations underwent restructure during the year 2014/15. The intention of the restructure was to essentially bring in greater focus to the business and as such during the year, the product portfolio was sharpened with emphasis given to three key areas – fresh coconut, desiccated coconut and fruits.

Product portfolio restructure was undertaken subsequent to a careful analysis of the global demand for commodities and thereby identification of core products that the Group has the capacity and competency to compete in. With the restructure of the business pillar – through the infusion of new management – the focus in 2014/15 was placed on overhead reduction, garnering greater efficiencies and consolidation of a lean product portfolio where competencies exist. The customer portfolio also underwent significant change during the reporting period, as value generation became a key performance indicator in maintaining customers. The sector also implemented a market expansion strategy during the year, identifying potential new markets for entry.

Fresh and desiccated coconut was identified during the year as a key SKU for the sector, given the exponential global demand for the products. For the Group's business, key markets for the two products are the Middle East and Africa, whilst Europe also remains a core region. As the global demand for coconut based products increased exponentially, the Government of Sri Lanka imposed a ban on the export of coconuts in the 3Q of 2014, with the intention to contain domestic pricing and to avoid an excess demand scenario. As a result, Sri Lanka exporters encountered critical business constraints. The sector, in a bid to overcome the issue, sourced and secured alternate points of origin for best quality coconuts, and as such by end of 2014, continued to meet customer demand. In 2015/16, separate operating units will be established in these alternate source markets to ensure streamlining of the sourcing and export functions. This multi-origin export strategy – which will also be extended across the product portfolio to fresh fruit and vegetables – will enable the sector to overcome externalities of weather, crop failure, supply shortages and export restrictions, as dependency on one point of origin is eliminated.

The processed foods operation under perishable operations – specifically the MO brand – underwent further restructure during the year. The trading and manufacturing businesses were separated whilst the juicing operation was terminated. From a product perspective, the portfolio was contracted to coconut water, fruit pulp and dried fruit. The restructure initiatives have enabled the processed foods operation to diminish losses during the year.

Expansion of the coconut water segment of the business was given focus during the financial year, in recognition of the growing global demand for the commodity. The plant-based water, or "super water" category has essentially gone from a non-existent market to a $1 billion industry in just seven years. Research indicates that the industry could be worth up to US$2 billion by 2025. Whilst the market potential is immense, the sector recognizes that key success factors for going forward, and for market success will be to secure organic certification for coconut based products including virgin coconut oil and coconut flour.

Going forward, the business pillar will strive to leverage the Group's brand value in exploring the multi-origin export strategy. It will also look to build scale on a limited variety of fruits and vegetables – as opposed to a large portfolio – thus, building capacities for specialization.

Processed Meats

The Norfolk Foods and Crescent brands continued to grow in the local retail and HORECA markets during 2014/15. During the year, the brand benefitted from brand initiatives embarked on, in the previous financial year, and as such enlarged the retail business by commendable 30 percent during the period under review. Overall growth approximated 11 percent during the same period, indicating that brand investments delivered dividends in converting brand interest into sales. As such, the business pillar continued to maintain the momentum in 2014/15 towards brand development and promotion. Whilst brand activity in the previous financial year were limited to unique/specialist products that catered to niche markets, in the current financial year promotional focus was placed on driving sales of non-specialist products.

The brands' proposition of nutrition and high quality has allowed for Norfolk to be positioned well, endearing itself to those conscious of the attributes, and thereby garnered tangible and sustained returns. HORECA business continued to contribute significantly to the overall performance of the brand, although a dip in turnover was evident in November/ December 2014, as tourism arrivals dipped.

The restructured sales and marketing function catalyzed brand revival during the year, with foreseeable growth in returns evident on a monthly basis. Utilising the experience in catering to the HORECA market, Norfolk in 2014/15 effectively offered a consumer-centric, high quality product to the retail segment. Creating enhanced brand awareness and expansion of the distribution network was also a key objective in the brand expansion process. Concurrently, HORECA leadership was maintained.

The year also saw the further consolidation of the operational processes, leading to better resource utilization and greater efficiencies through automation. The operational process supports minimal human intervention through innovation, and thereby enhances the quality and food safety of each of the products.

A positive outlook in view of the growth in tourism and therefore, potential to further enlarge the HORECA contribution to business together with the expansion of contribution from retail is imminent. Consolidation of business will further

optimize efficiencies. Currently, production capacity is 40 percent under-utilized; therefore, going forward, production enhancement can be expanded at no significant investment. As the business consolidates, expectation of future growth remains high.

Waste paper Operations

2014/15 was a year marked by consolidation of the restructuring efforts undertaken in the previous year. With the core competency identified as paper recycling, the business pillar has honed its resources towards this area of business, whilst shedding operations in non-core businesses such as the energy efficient lighting, paper reel and metal businesses. As such, during the year non-core business was scaled down by as much 98 percent, meeting the objective to divest non-core activities. Investments were made into the core businesses with a view to optimize high value returns. Plans are underway to further invest towards refleeting of the collection vehicles, automate bailing and initiate a series of efficiency improvements.

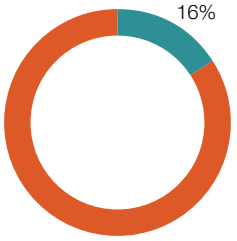
The re-alignment of the business back to the core activities is expected to yield substantial returns in the medium term, although in the current year under review, non-recurring restructuring costs impacted the bottom-line of the sector's financial performance.

Sector Performance - Financial

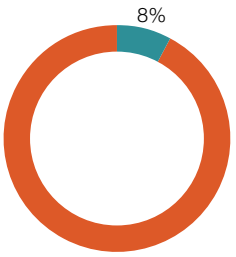
The International Trading and Manufacturing sector accounted for 16 percent of the Group's revenue and 8 percent of the Group's earnings before interest and taxes in 2014/15. The sector witnessed revenue to reach Rs. 8,528 Mn.

International Trading & Manufacturing			
(Rs. million)	2014/15	2013/14	% Change
Revenue	8,528	14,513	-41%
Earnings Before Interest & Taxes (EBIT)	118	175	-32%
Finance Cost	45	131	-66%
Profit Before Tax	74	44	67%
Profit After Tax	72	17	327%
Total Assets	2,492	4,813	-48%
Total Equity	848	1,482	-43%
Total Debt	246	1,040	-76%
Capital Employed	1,094	2,127	-49%
Return on Equity	8.4%	1.5%	448%
Return on Capital Employed	10.6%	6.9%	54%

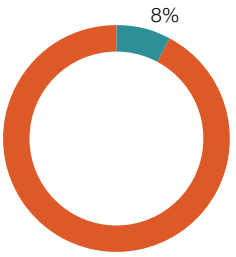
Turnover



EBIT



Capital Employed



G4-SO1 ➔

Fusing Social responsibility

Expo Medix Continues to Care

Expolanka continued to propagate good health and lifestyle assistance through the flagship CSR programme 'Expo Medix'. Since inception with a simple clinic in Mattakkuliya, the programme has grown rapidly in to include 8 clinics, which treat on average 200 patients a week. Expo Medix is a fully-fledged chain of medical clinics served by qualified doctors and nurses. The clinics are fully functional in providing medical consultation, diagnostics services and operations for minor surgery requirements. They also provide medicines and drugs at a subsidised cost.

Expo Medix addresses patients from the lower income segments, who cannot afford the usually high-priced private healthcare system and find themselves unable to address their immediate health needs satisfactorily. This community-oriented culture embedded in all aspects of the Group ensures that all business activity is undertaken in an ethical and sustainable manner while keeping the best interest of the community in mind. In line with this credo, Expo Medix strives to bridge this gap by giving an affordable solution to the people without compromising on quality and efficiency of health services.

‘Eyes of Hope’ Cataract Surgery & Eye Care Assistance

The Group facilitated 25 cataract surgeries free of charge and donated spectacles to those in need through the ‘Eyes of hope’ project. The surgeries and the spectacle donation were conducted following a free eye evaluation care clinic in October 2014.

World Elders Day – Health & Eye Camps

Expolanka’s Corporate Social Responsibility arm carried out a series of Health Camps in Piliyandala, Gampaha, Kaduwela and Kiriwathuduwa areas for over 300 elderly patients. In addition, the Group conducted a free Eye care clinic and distributed spectacles to those in need.

The programme provided free health care for persons with low income who required general medical checkups. The health camps offered patients a complete checkup and consultation services that included Body Mass Index (BMI) calculation, vision care and dietary advice. The patients were also provided with free drugs on prescription which were handed out by the consultants at the health camp.

Date	Place	Number subjected to medical screening	Number subjected for sight screening	Selected for provision of spectacles	Selected for cataract Operation
04-10-2014	Wewala Temple	65	94	85	08
07-10-2014	Ihala Yagoda	49	78	55	12
09-10-2014	Korathota	45	63	51	07
10-10-2014	Kiriwatthuduwa	44	85	72	12

Table 1 – Impact of Elders Day Medical & eye care programmes

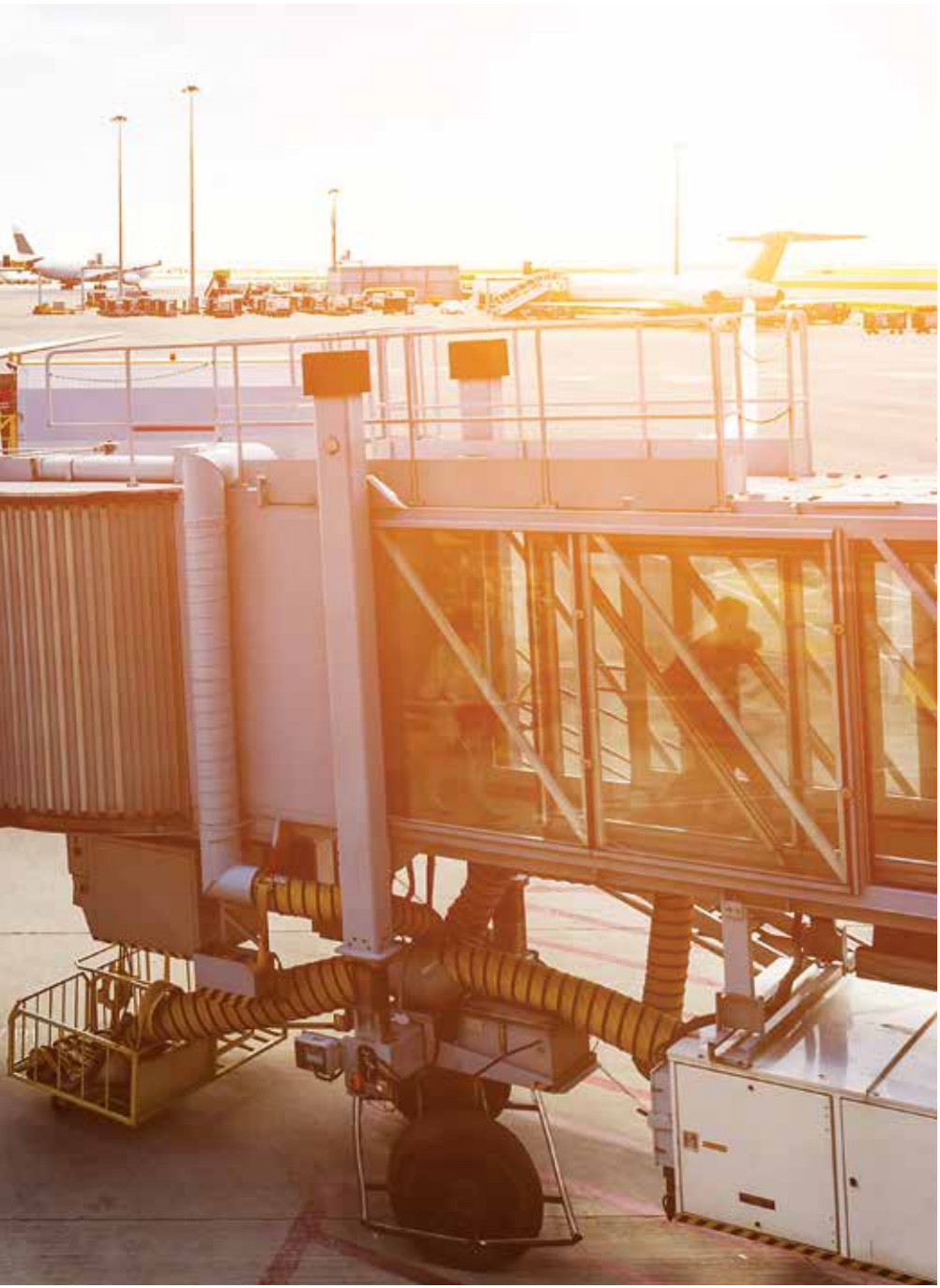
Expo Medix

Health & Eye Camps

Water to Indeginous Communities

The Veddah community in Rathugala, Sri Lanka faced many hardships with limited access to clean water and potable water. Expolanka, made aware of the challenge faced by this indigenous community, invested towards the construction of a tank and pipeline to provide a water source. The community now enjoys pipe borne water and assists the entire community and others living in the vicinity of the village.

Opening ceremony of Rathugala water project



INVESTMENTS & SERVICES

Expolanka's growth continues with diversified investments and partnerships in strategic sectors. Ventures in the areas of GSA representation of major global airlines have been steered by research and analysis, and has propelled the Group to more success based on the pursuit of delivering excellence.

Rs. 682Mn
Revenue

Rs. (287) Mn
PAT

Investments & Services

FUSION OF SECTOR-WIDE EXPERTISE WITH STRATEGIC VISION PROPELS CONSOLIDATION OF GROWTH

Sector Strategy

Expolanka's Investments and Services sector is focused on Airline GSA operations and a pool of passive investments. Having evolved from a sector with interests in BPO, tertiary education and related investments, the sector over the past two financial years, was re-engineered in line with the Group Strategy for focused growth. A significant proportion of the Sector Balance Sheet comprises of Expolanka's investments in reputed corporates. However, these invesments are passive in nature, no involvement of the Group in operational matters. In 2014/15, the Group continued to maintain its interests in Amana Bank, Amana Takaful Insurance, Amana Maldives (Insurance) as well as a minor interest in the previously divested tertiery educational institute – APIIT. Amana Bank and Amana Takaful Insurance are listed on the Colombo Stock Exchange whilst Amana Maldives is listed on the Maldives Stock Exchange. The Group views these investments as strategic in terms of the potential return for the long-term.

Therefore, the crux of the Investments & Services sector comprises of the Group's interest in GSA services. The sector seeks to further its investments into the GSA services in line with the growth in global aviation.

Expolanka has represented major airlines since April 1994 when it was nominated as General Sales Agent for Saudi Arabian Airlines Cargo in Sri Lanka. Since then, the Group has forged ahead to become the premier GSA service provider for a number of key international passenger and cargo carriers. Experience and expertise in the field has sustained growth and in tandem with a strategic global expansion plan, has resulted in Expolanka establishing GSA offices in key global locations including in Asia, the Middle East and Africa.

New partners and new markets are constantly being scouted to add to the sector's existing clientele. With respected industry standing and a reputation for excellence and reliability, Expolanka is more than qualified to establish the representation of airlines in new locations.

The Sector's GSA operations are viewed as fundamental to future growth and as such the sector strategy going forward will be to invest towards the enlargement of the scope of its operations and returns, in line with global demand for GSA services.

Global Industry Trend & Outlook

2014 was a significant year for global aviation. It marked a century of commercial flight operations, with the first scheduled flight taking off in January 1914.

The global airline industry continued to grow rapidly in 2014, however, profitability failed to grow at the same sustained levels. Measured by revenue, the industry doubled over the past decade, from US$369 billion in 2004 to a projected $746 billion in 2014, according to the International Air Transport Association (IATA).

Low-cost carriers (LCCs), which now control some 25 percent of the worldwide market, drove much of the growth and which have been expanding rapidly in emerging markets; growth also came from continued gains by carriers in developed markets as per International Air Transport Association (IATA) reports. Yet profit margins remained thin hindered by the complex nature of the business, manifested in part by the significant degree of regulation, which inhibits consolidation and the vulnerability of airlines to externalities, such as security concerns, volatile weather and infectious disease. Ongoing price pressure also remained a key factor; the airline industry is one of the few sectors that have seen prices fall for decades.

Nevertheless, the IATA announced an outlook for marginally improved industry profitability in its Economic Performance of the Air Transport Industry report which estimated a collective global net profit in 2014 of $19.9 billion. This is expected to rise to $25.0 billion in 2015.

Lower oil prices and stronger worldwide GDP growth were cited as main drivers behind the improved profitability and the industry outlook is positive. The forecast drivers for the industry in 2015 are:

- Oil prices are expected to continue to decline throughout 2015 and Jet fuel prices are expected to average at $99.9/barrel for a total fuel spend of $192 billion, which represents 26 percent of total industry costs. However, the impact of lower fuel prices will be realized with a time lag, due to forward fuel-buying practices. Fuel efficiency is estimated to have improved by 1.8 percent in 2014 and a further improvement is expected in 2015.

- Global GDP is expected to grow by 3.2 percent in 2015, up from 2.6 percent in 2014.
- Passenger traffic is expected to grow by 7.0 percent in 2015, above the 5.5 percent growth trend of the past two decades. Capacity growth is expected to outstrip this slightly at 7.3 percent, pushing the passenger load factor to 79.6 percent .The fall in the price of fuel is expected to lead to cheaper airfares for consumers. Total passenger numbers are expected to grow to 3.5 billion and passenger revenues are expected to grow to $623 billion.
- Cargo volumes are expected to grow by 4.5 percent in 2015 (slightly ahead of the 4.3 percent growth estimated for 2014). In total, some 53.5 million tonnes of air cargo is expected to be flown in 2015. Total cargo revenues are expected to rise to $63 billion by year end

Reference:
www.iata.org

Operational Context & Potential

The Group's Airline related business spans across seven countries and as a result macroeconomic events shaping the industry and their direct implications impinge on the business. However, the sector operations have a strong Asian bias, and has benefitted from the growth of business in the region. The sector benefitted from declining fuel prices, as consumer demand increased on the back of declining fares.

ACR Network

ACR Offices

1 Bangladesh - Dhaka
2 China - Shaghai, Beijing, Guangzhou,
3 Canbodia - Phnom Penh
4 Hong Kong - Hong Kong
5 India - Chennai, Bangalore, New Delhi, Bombay, Hyderadad, Ahmedadad, Kolkata, Cochin, Goa, Trivandrum, Calicut, Coimbatore
6 Indonesia - Jakarta
7 Kenya - Nairobi, Mombasa
8 Madagascar - Madagascar
9 Maldives - Male
10 Mauritius - Mauritius
11 Parkistan - Karachi, Islamabad, Lahore
12 The Philippines - Manila
13 Singapore - Singapore
14 South Africa - Johannesburg
15 Sri Lanak - Colombo
16 UEA - Dubai, Abu Dhabi
17 USA - New York, Chicago
18 Vietnam - Ho chi minh, Saigan

Network Partner Locations

1 United Kingdom - London
2 Australia - Melbourne, Perth, Sydney
3 New Zealand - Auckland
4 Nepal - Kathmandu
5 Malayasia - Kuala Lumpur
6 Thailand - Bangkok
7 Taiwan - Taipei
8 Japan - Narita
9 South Korea - Seoul

Across the region economic growth was broad based, with strong growth in the Industry sector, export, import, the development of existing airports, setting up of new airports, air- sea travel and freight integration, making air travel more economical and the development of the domestic aviation sector sending positive vibes to the sector. Continued high growth in workers' remittances together with an increase in earnings from services including tourism, transport and information technology related services helped the overall growth of the industry.

From a local perspective the tourist arrival of 1.2 million recorded last year was a positive sign for the Aviation Industry surpassing the 2013 arrival figure.

However, loss of business with the contraction in exports to the EU market impacted local aviation business negatively. Nevertheless, with several Middle East carriers increasing their frequencies to Sri Lanka, country capacity was boosted, but on the hind side the competition intensive sparking price wars. As a result of this impact, off line carriers faced difficulties in sustaining their market share.

The most prominent dynamic that shaped the local aviation industry during the reporting period was an enlargement in tourism and related industries catalyzed in part by substantial drop in jet fuel prices, new developments in social infrastructure and tourism infrastructure. These developments encouraged entry of new players to market whilst existing Middle Eastern carriers enhanced capacity into the destination.

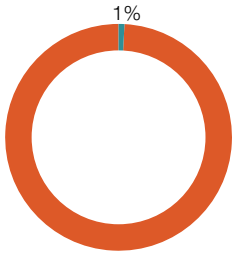
On the outbound travel segment, increased demand was evident as disposable incomes were on the incline. However, enlarged capacities, gave way to price sensitivity, as operators vied for business through shaved margins and lowered rates. The intense competition among the carriers resulted in lowering of prices in both passenger and cargo and as a result of losses in yield; certain Airlines were compelled to discontinue operations. The critical negative issue facing the Sri Lankan market is evident continuity in the generation of lower yields when compared with other countries in the region.

The sector revenue decreased by 59 percent to reach Rs. 682 Mn., Earnings Before Interest & taxes shrank to reach negative Rs. 308 Mn from Rs. 470 Mn in the previous reporting period. The sector accounted for 1 percent of the Group's Revenue. Revenue contracted during the year in direct response to two critical operational issues that arose during the reporting period. The sector's GSA operations confronted operational challenges with the loss of two critical partners, Virgin Atlantic in Dubai whilst Royal Jordanian went offline from Colombo.

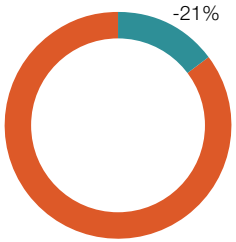
Sector Performance – Financial

Investments and Services			
(Rs. million)	2014/15	2013/14	% Change
Revenue	682	1,674	-59%
Earnings Before Interest & Taxes (EBIT)	(308)	470	-165%
Finance Cost	10	9	10%
Profit Before Tax	(301)	496	-161%
Profit After Tax	(287)	426	-168%
Total Assets	4,000	2,636	52%
Total Equity	3,219	2,856	13%
Total Debt	475	411	16%
Capital Employed	3,694	3,267	13%
Return on Equity	-8.9%	14.9%	-160%
Return on Capital Employed	-7.5%	13.3%	-156%

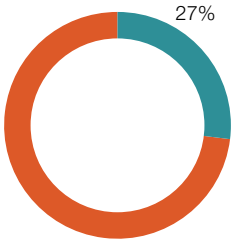
Turnover



EBIT



Capital Employed



Sector Focus – Strategy Execution

The focus of operations in 2014/15 was to translate the sector strategy into an executable operational plan, and thereby, catalyse execution. As such, the sector had recognized that the next step of evolution of the business was to create a platform for sustained value creation.

As such the focus of the sector has been to evolve the business from a pure Principal representation business to one that is more sustainable and value creating – in line with the financial performance benchmarks established by the Group -. In 2014/15, the sector re-engineered the GSA business model to one that shifts from principle representation to a full spectrum service model that offers a cohesive GSA Management service platform, as demanded by the global carriers.

Rebranded as ACR (Airline Cargo Resources)

Therefore, Expolanka' s GSA Representation business model was revamped and rebranded with the establishment of ACR, a total solution provider that offers services along the length of the value chain. Airline Cargo Resources (ACR) is the sector's new brand identity and will represent the Group's GSA business on a global scale.

A first of it's kind, ACR headquartered in Dubai, also has a corporate team operating out of Colombo and overlooked by a board of management. In doing so the division has pooled its resources, skills and knowledge, garnering competencies and building a competitive edge against a global competitive framework.

ACR offers tailor made aviation solutions to the sector's Airline partners across a gamut of service fronts - from infrastructure, sales and marketing, local expertise, intelligence data to financial support. A committed team of experts with over 20 years of experience in the aviation industry focuses on delivering best practices to increase revenue and to develop ACR's customer profiles across markets. The ACR team possesses the right competencies to deliver service excellence and best solutions in an ever-changing aviation industry.

ACR Services

- General Sales and Services Agent (GSSA), Passenger Sales Agent (PSA), Cargo Sales Agent (CSA)
- Total Cargo Management
- Road Feeder Services
- Charter Desk
- Neutral Master Air Waybill

ACR's competencies lie in its pool of experts and resources. ACR offers tailor made aviation solutions to its airline parts from infrastructure, sales and marketing, loyal expertise, intelligence data and financial support. A committed team of experts with over 20 years of experience in the aviation industry focuses on delivering best practices to increase revenue and develop customer profile in the markets in which it operates. ACR possesses the right competencies to deliver service excellence and the best solutions in the constantly dynamic global aviation industry.

Key Strategic Focus

The main focus, during the year, therefore, has been to leverage the expertise of the sector by fusing the available competencies and global know-how to create a platform upon which to develop new business through the enlargement of the services on offer. As a result, through the establishment of ACR, the sector is poised to create new strategic partnerships in new markets, broadening the customer base and network presence. The cross utilization of staff, centralizing finance and business development are key re-structuring initiatives that support the drive for enhanced efficiencies, driving down costs and delivering value.

Key Achievements in 2014/15

Rebranding of GSA operations to ACR across the global network

Sector acquisition of new GSSA/CSA representations:

- Sri Lankan Airlines cargo GSA in South Africa & Kenya
- Sri Lankan Airlines CSA in Sri Lanka
- Air Arabia CSA in DXB
- Oman Air Cargo Bangladesh

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Investments & Services

The Group seeks investments to strengthen the entrepreneurial conglomerate especially in core businesses and those that are synergistic to the core business. In the sphere of corporate services, the Group operates support entities that provides services in HR, ICT, Corporate Finance, Treasury Operations, Taxation, Risk & Control, ERP & shared services, Marketing, Corporate Communications & CSR, Strategic Planning & Business Development as well as Legal & Secretarial.

Future Outlook

Global market forecast for 2014-2033 offers a forward-looking view of the air transport sector's evolution – accounting for such factors as trade and tourism flows, oil prices, environmental issues, innovation, and competition. Future outlook by industry experts and authorities anticipates that air traffic will grow at 4.7 percent annually, requiring over 31,350 new passenger aircraft and freighters at a value of nearly US$4.6 trillion.

Overall, from a regional and Group Airline cluster network perspective, the industry is expected to be promising and progressing steadily in 2015.
The sector looks to enlarge its footprint exploring Africa and India as primary strategic areas for development for the ACR brand and business.

Fusing Social Responsibility

Partnering an Expedition to the Summit of Lobuchi East

The Group partnered with Mountaineer Elmo Francis during the year to put the first Sri Lankan on the summit of Mr. Everest. However, unfortunate event where 16 people perished while attempting to climb Mt Everest, Elmo had to cancel his scheduled climb to the South side of Mt Everest where he targeted to reach 7500 meters as a prelude to climbing to the summit of Mt. Everest. He however, became the first Sri Lankan to reach the summit of Lobuchi East, which stands at 6200 meters. Undaunted, Elmo attempted a climb to the Advanced Base Camp of Mt Pumori which stands at 7138 meters. Avalanche risk thwarted this plan as well but Elmo's team then proceeded to climb Jangbu peak, a slightly technical peak on the Khumbu glacier to acclimatize in preparation to climb the Khumbu Ice Fall in Lobuchi East. Following acclimatizing at Everest Base Camp for 10 days Elmo and the team tackled the Khumbu Ice Fall below the west ridge of Mt Everest without a Sherpa to guide them. Elmo then decided to reach Lobuchi East, which stands at 6200 meters.
By this time, all other teams attempting to climb Mt Everest had already cleared camps. However as Elmo possessed a permit to climb Lhotse at 8501 meters, the fourth highest mountain in the world, his team received permission to stay on longer for acclimatization.
On May 9th, 2014, Elmo reached camp 01 of Lobuchi and by 4am on the same day, he and the team began their climb to reach the Lobuchi East summit. By 08 42am, Elmo stood on top of Mt Lobuchi East, holding his head high as the first Sri Lankan to complete that climb.

The partnership between Elmo and the Group resonates on many levels – celebration of the human spirit and "dare to do" attitude. It also brings to light the necessity to protect our environmental assets through initiatives that create awareness for the cause.

Group CEO Presenting cheque to Elmo Francis

Venture Engine for Entrepreneurial Growth

The third installment of the entrepreneurship development programme, Venture Engine concluded amidst an atmosphere of celebration at The Kingsbury Hotel, Colombo. The entrepreneurs behind the top 14 fundable businesses made their final presentations to the panel of judges comprising members of the Lankan Angel Network (LAN) and Indian Angel Network (IAN), from which three winning business plans were selected.

Venture Engine is a concept that has been built on the understanding that only a people recognize the vision that drives an entrepreneur and the passion that keeps them striving. The Group as a Platinum Sponsor of Venture Engine looks to support and nurture entrepreneurial efforts by partnering those with great ideas and great potential. The Venture Engine programme has assisted to procure in excess of LKR 200 million in funding in the last two years.

Winner Receiving Award

Disaster Relief

Drought Relief

Expolanka stepped up to help drought victims in Horowpathna, Anuradhapura during the harsh drought that lasted almost a year. Through the project, the Group provided drinking water to 3798 families (priority given to families with children, lactating, pregnant mothers and differently abled) in the Horowpathana area.

The project began initially with the provision of five-liter water bottles over 1000 families as an interim measure whilst ten, 1000 liter water tanks were later placed at critical points in the area for sustained access to water.

Community leaders, religious dignitaries and officials in the area were partnered with the Group to successfully implement the programme.

Expolanka CSR Champions at Horowpathana

Koslanda Landslide Assistance

Monsoon rains in Sri Lanka caused a landslide on 29 October 2014, which killed over a hundred people. The landslide occurred in Koslanda, near the town of Haldummulla and mud and debris buried approximately 150 houses, and potentially more than a hundred residents. Expolanka's CSR team drew resources together to assist the national disaster management efforts, throughout the search and recovery efforts, and thereafter, assisting the displaced in numerous ways.

Relief to Victims

Community Outreach, Sanjong Bangladesh

In a continuation of efforts by the Group to provide support to members of the Sanjog community in Bangladesh, Expolanka organized a winter clothes distribution program in 2014. The aim of this program was to lend a helping hand to the less fortunate families enabling them to cope better during adverse weather conditions.

Warm Cloth Distribution

Chairman's Statement on Corporate Governance Report

Corporate Governance is a framework of rules, practices and processes by which a company is directed and controlled. Good corporate governance is about ensuring that companies are managed as efficiently as possible in the best interests of all the stakeholders. This is ensured by taking ethical business decisions and conducting business with a firm commitment to values, while meeting stakeholders' expectations.

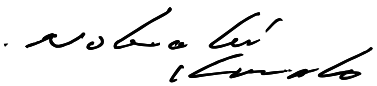
Expolanka believes that the governance principles of trusteeship, transparency, accountability, control and ethical corporate citizenship is fundamental to an organization's competitiveness, growth and sustainability and practice of each of these principles create the right corporate culture that fulfils the true purpose of Corporate Governance.

Corporate Governance in Expolanka ensures a favorable balance between performance and conformance with the emphasis on the need for full transparency and accountability in all its transactions, in order to protect the interests of its stakeholders. Expolanka is committed to conduct its business in a manner that exemplifies good corporate citizenship and growth in shareholder value. With the objective of increasing the global footprint and becoming globally competitive in its business, Expolanka believes in adopting the best practices that are followed in the area of Corporate Governance across various geographies which is essential to attain long-term sustainable growth.

Expolanka Holdings PLC is pleased to inform that it's practices are consistent with the requirements given in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC), Companies Act No.7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and Code of Business Conduct and Ethics.

The Board is committed towards maintaining its high standards of corporate governance in managing the Company in an ethical, efficient and effective manner whilst fostering an entrepreneurial culture.

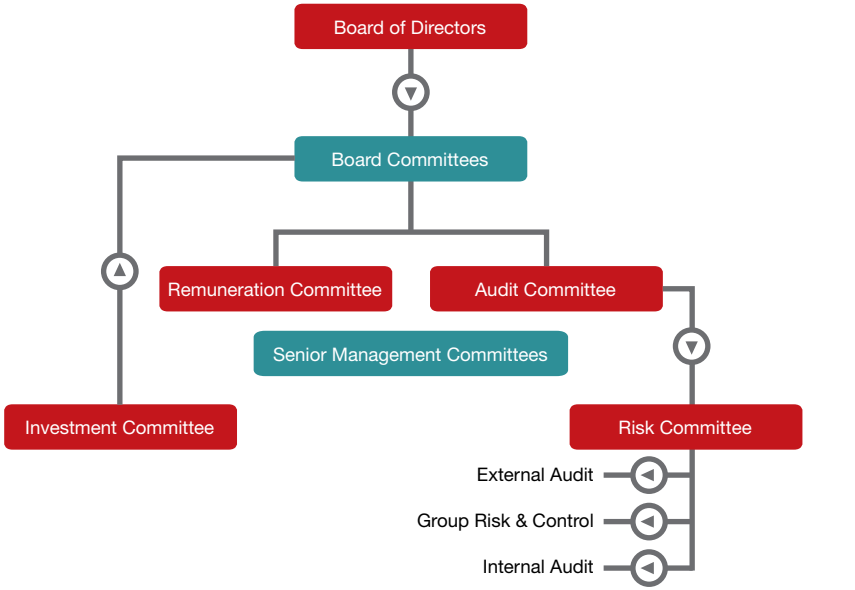
Furthermore I take this opportunity and hereby affirm that I am not aware of any violation to the Code of Business Conduct and Ethics within the Expolanka Group having joined the Board as the Chairman on the 1st of May 2014.



Nobuaki Kondo
Chairman

Corporate Governance Report

Governance Framework



Board Meeting and Attendance

#	Name	01 April 14	27 June 14	29 August 14	30 October 14	29 January 15	30 March 15
1	Nobuaki Kondo	*		✓	✓	✓	✓
2	Hanif Yusoof	✓	✓	✓	✓	✓	✓
3	Naosuke Kawasaki	*	✓	✓	✓	✓	✓
4	Motonori Matsuzono	*	✓	✓	✓	✓	✓
5	Yoshifumi Matsubara	*	✓	✓	✓	✓	✓
6	Osman Kassim	✓	✓	✓	✓	✓	X
7	Toji Shiho	*		✓	✓	✓	✓
8	Sanjay Kulatunga	✓	✓	✓	✓	✓	✓
9	Harsha Amarasekera	✓	✓	✓	✓	✓	✓
	Farook Kassim	✓	**	**	**	**	**
	Sattar Kassim	✓	**	**	**	**	**
	Dr. Sivakumar Selliah	✓	**	**	**	**	**

*The Directors were appointed with effect from 27 June, 2014.
**The Directors were resigned with effect from 27 June, 2014.

The Board of Directors

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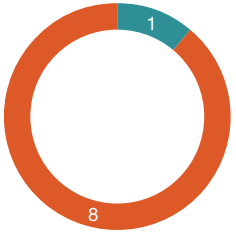
The Governance framework shown comprises of the Board of Directors, Board Committees, Senior Management Committees and Management responsible and accountable for implementing and maintaining the governance within the Group. The ultimate responsibility of increasing the shareholder value lies with the Chairman and the Board of Directors. The Board of Directors ensures the highest standard of compliance to Corporate Governance for the Group.

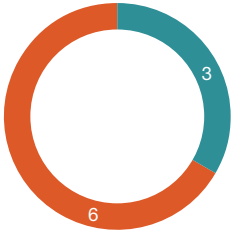
Board Composition

Directorship Status



Executive Directors
Non-Executive Directors

Independence



Independent Directors
Non-Independent Directors

Governance Checklist

This section of the annual report outlines the system of governance at Expolanka and its adherence to the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Security and Exchange Commission of Sri Lanka.

Section 1 – The Company

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A. Directors			
A.1. The Board The Code prescribes the Board to effectively direct and control the affairs of the company. Expolanka is led by a professional, multi-disciplined and experienced Board of Management comprising of Chairman, Chief Executive Officer (CEO) and Non-Executive Directors including three Independent Directors as at the 31st March 2015. The profiles of the Board of Directors are set under the Directors Profiles in this Annual Report.			
A.1.1	Board Meetings	Compliant	The Board meetings are held periodically to decide on the strategic direction and review the performance of the Group aligned to the aspired corporate goals. The meetings are structured with the minutes, agenda and board papers circulated to all members well in advance to facilitate informed and effective decision making. Additional meetings are also convened to deliberate on issues that demand immediate decisions. The attendance of the Board of Directors are given in the Governance Report of this Annual Report.
A.1.2	Responsibilities of the Board	Compliant	The Board is responsible to lead the strategic and business direction of the Group as described below. ☼ Formulates and implements a sound business strategy with a structured monitoring process to ensure sustainability of the Group. ☼ Evaluates and takes responsible decisions in relation to new business ventures or restructuring of existing companies, if necessary. ☼ Ensures the CEO and the management team possess the right skills, experience and knowledge to implement the formulated strategy effectively with proper succession planning. ☼ Appoints suitable members to the Audit and Remuneration Committees. ☼ Ensures effective systems to secure integrity of information, internal controls and risk management through delegation to the Audit Sub Committee. (Compliance checklist is provided to all Board members to ensure compliance with applicable laws and regulations.) ☼ Ensures all stakeholder interests are considered in corporate decisions making. ☼ Accounting policies are reviewed annually to ensure compliance to evolving accountancy standards including convergence towards the new Sri Lanka Financial Reporting Standards (SLFRS).

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.1.3	Compliance with laws and seek independent professional advice	Compliant	Board is collectively and individually committed to ensure compliance with all applicable laws and regulations and adheres to best governance practices. The Directors obtain independent professional advice if required for decision making.
A.1.4	Company Secretary	Compliant	SSP (Pvt) Ltd is appointed as the Group's Company Secretary to ensure that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the advice and services of the Company Secretary.
A.1.5	Independent judgment of the Directors	Compliant	All Directors exercise independent judgment and opinions on issues that are discussed and considered at the Board.
A.1.6	Dedicate adequate time and effort by the Directors	Compliant	Board Meetings are held on a periodic basis. The Chairman and the Board Directors dedicate adequate time for the affairs of the Group by attending Board and Sub Committee meetings assiduously. In addition, the Board Directors meet and discuss with the senior management on operational and strategic issues as and when required.
A.1.7	Training for new and existing Directors	Compliant	The Board recognizes the need for continuous training. Adequate knowledge sharing opportunities are provided to acquire requisite skills and exposure to effectively discharge their duties.
A.2. Chairman and CEO The Code prescribes to clearly differentiate the roles between the Chairman and the CEO to ensure balance of authority and good governance. The Chairman of the Group is responsible to effectively lead and guide the Board whilst the CEO is responsible to lead the senior management to ensure effective functioning of day to day operations of the Group, in consultation and guidance of the Chairman and the Board.			
A.2.1	Segregated roles and responsibilities of the Chairman and CEO	Complaint	The position of the Chairman and CEO are separated in order to prevent unfettered powers of decision making to a sole individual.
A.3. Chairman As prescribed by the Code, the Chairman of the Group with his integrity and experience in corporate governance is responsible to lead the strategic direction of the Board. The Chairman guides the Board in all decisions and presides and maintains order at Board meetings.			

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.3.1	Role of the Chairman	Compliant	The Chairman is responsible for the efficient conduct of Board meetings and to ensure, inter alia: ☼ Ensure effective participation of both Executive and Non-Executive Directors, ☼ Effective contribution of all Directors to decision making ☼ Ensure a balance of power between Executive and Non-Executive Directors ☼ Ascertain views of Directors on issues under consideration ☼ Ensure the Board is in complete control of the company's alert to its obligations to all shareholders and other stakeholders
A.4. Financial Acumen As per the Code, the Board is to be represented by some members with financial acumen and knowledge to advice on matters related to finance.			
A.4	Availability of sufficient financial acumen and knowledge	Compliant	The Board is made up of knowledgeable and experienced individuals for guidance on matters of Finance and Management. One of the Directors is an Associate Member of Chartered Institute of Management Accounting as well as a Chartered Financial Analyst and chairs the Audit Committee.
A.5. Board Balance The Code stipulates that the Board has to be fairly represented with a balance between Executive and Non-Executive Directors.			
A.5.1	Presence of Non-Executive Directors	Compliant	Out of a total of nine Directors in the Board, eight are Non-Executive Directors. Names of the Directors category wise are set out in the Annual Report under Board of Directors profiles.
A.5.2	Independent Non-Executive Directors	Compliant	Out of the Non-Executive Directors, three are Independent Non-Executive Directors complying with the requirement to have the higher of two, or one third of Non-Executive Directors, as Independent Non- Executive Directors.
A.5.3	Independence of Non-Executive Directors	Compliant	There are three Independent Non-Executive Directors out of the eight Non-Executive Directors and they are construed to be independent of management and free of any business or other relationship that could materially impair their independent judgment.
A.5.4	Declaration of Independence	Compliant	Each Independent Non-executive director submits a declaration of independence in a prescribed format.
A.5.5	Determination of independence of the Directors	Compliant	The Board has determined the independence of Directors based on the declarations submitted by the Independent Non-Executive Directors as to their independence, as a fair representation and the Board will continue to evaluate their independence on this basis annually.
A.5.6	Appointment of an Alternate Director	Not Applicable	An Alternate Director has not been appointed by a Non-Executive or an Independent Director.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.5.7	Appointment of a Senior Independent Director	Not Applicable	The roles of the Chairman and the CEO are separated negating the applicability of this requirement.
A.5.8	Confidential discussions with Senior Independent Director	Not Applicable	Please refer the comment for A.5.7 above.
A.5.9	Chairman's meetings with Non-Executive Directors	Compliant	The Chairman meets with Independent Non-Executive Directors as deemed necessary.
A.5.10	Recording of concerns in the Board Minutes	Compliant	All concerns that are not unanimously resolved will be recorded in the Board Minutes as per Company Policy. However all decisions of the Board were taken unanimously and there were no concerns raised by the Directors which needed to be recorded in the Board Minutes during the reporting period.
A.6. Supply of Information The Code stipulates the management to supply all relevant and timely information to the Board in order to make effective decisions for the company.			
A.6.1	Management's obligation to provide appropriate and timely information to the Board	Compliant	The Management ensures that a set of timely, accurate, relevant and comprehensive information is provided to the Directors by way of a Board Paper prior to the Board Meeting, with adequate time for review and prepare for discussions.
A.6.2	Timely distribution of documents for Board meetings	Compliant	All papers related to the Board and Sub-Committee meetings are circulated at least seven days prior to the meetings.
A.8 Re-Election All Directors should be required to submit themselves for re-election at regular intervals			
A.8.1	Re-election of Non-Executive Directors	Compliant	Non-Executive Directors are subjected to a Re-election process as specified by the Companies act and the re-appointment is not automatic.
A.8.2	Re-election of Chairman and Board Directors	Compliant	All Directors including the Chairman are subjected for election after their first appointment and have been re-elected at intervals of no more than three years.
A.10 Disclosure of information in respect of Directors The Code specifies Disclosure of relevant details regarding Directors to all shareholders through the Annual Report.			
A.10.1	Details of Directors	Compliant	This Annual Report discloses the relevant details of the Board in the Board of Directors profiles and Corporate Governance Sections.
A.11 Appraisal of CEO The Board is required to carry out an appraisal on the CEO's performance in relation to the Company's performance and set annual targets.			

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
A.11.1 & A.11.2	Setting annual targets and appraisal of the performance of the CEO by the Board	Compliant	The Board appraises the performance of the CEO against a prior set of agreed financial and non-financial, short to medium and long term objectives and targets. The Board carried out the CEO evaluation at the end of reporting financial year.
B. Directors' Remuneration			
B.1 Procedure The Code specifies that a Remuneration Committee to be established formally and transparently to independently determine the Remuneration Policy and the Remuneration of the Directors.			
B.1.1	Establishment of a Remuneration Committee	Compliant	A Remuneration Committee is appointed to assist the Board in establishing Remuneration Policy and guidelines for the remuneration of directors. As per the policy, no Director or employee should get involved in deciding his/her own remuneration.
B.1.2	Composition of the Remuneration Committee	Compliant	Both members of the Remuneration Committee are Independent Non-Executive Directors. Board appoints the Chairman of the Remuneration Committee.
B.1.3	Chairman and the members of the Remuneration Committee	Compliant	The Remuneration Committee composition is listed out in the Remuneration Committee report in this Annual Report
B.1.4	Determination of remuneration of Non-Executive Directors	Compliant	The Board determines the remuneration of the Non-Executive Directors aligned to the current market practices.
B.1.5	Consultation with the Chairman, CEO and access to professional advice	Compliant	The Remuneration Committee consults the Chairman and the Group CEO and has access to professional advice from within and outside the Company.
B.2 The level and make up of Remuneration The Code stipulates that the level of Remuneration for Directors to be sufficient to attract and retain the best in the Industry and a portion of Remuneration of Executive Directors to be linked to performance.			
B.2.1	Executive Directors' remuneration package	Compliant	The Remuneration Committee reviews industry and market practices and norms when setting the remuneration of the Executive Directors.
B.2.2	Comparison of remuneration with other companies	Compliant	The Remuneration Committee compares the remuneration levels of the Company with comparable industry norms.
B.2.3	Comparisons of remuneration with other companies in the Group	Compliant	The Remuneration Committee reviews and compares executive remuneration across the Group companies.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
B.2.4	Performance related elements of remuneration of Executive Directors	Compliant	The Remuneration Committee reviews CEO's performance aligned to the pre agreed targets and goals in the best interest of the Company and the stakeholders. There are no performance related elements of remuneration for the Non-Executive Directors.
B.2.5	Executive share Options	Not Applicable	Presently the Group does not have Executive share option schemes.
B.2.6	Executive Directors' Remuneration	Compliant	The Company does not have any long term incentive share option schemes. Non-Executive Directors are not eligible for performance based remuneration. A Report from the Remuneration Committee is given in this Annual Report.
B.2.7 & B.2.8	Early termination of Executive Directors	Compliant	There are no terminal compensation commitments other than gratuity in the company's contracts of service.
B.2.9	Remuneration for Non-Executive Directors	Compliant	Non-Executive Directors are remunerated in line with market practices and norms.
B.3 Disclosure of Remuneration As per the Code, the Company has to contain a statement of the Remunerations Policy and details of Remuneration of the Directors as a whole in the Annual Report.			
B.3.1	Disclosure of Remuneration	Compliant	A statement on Company's remuneration policy is set out in the Remuneration Committee Report in this Annual Report. The details of aggregate Remuneration of the Executive and Non-Executive Directors are disclosed in this Annual Report.
C. Relations with Shareholder			
C.1. Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings The Code stipulates that the Board shall convene an Annual General Meeting (AGM) to have a dialogue on company matters with the shareholders.			
C.1.1	Use of proxy votes	Compliant	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Company has a mechanism to record all proxy votes and proxy votes lodged on each resolution.
C.1.2	Separate resolution for all separate issues at the AGM	Compliant	Each substantial issue is proposed as a separate resolution. The adoption of the Annual Report of the Board of Directors, along with the Financial Statements, is also proposed as a separate resolution.
C1.3	Board Sub-Committee Chairman to be present at the AGM	Compliant	The Chairman of the Board ensures that the Chairman of Board Sub Committees are present at the AGM to respond to any queries posed by the shareholders.
C.1.4	Adequate notice of the AGM	Compliant	The notice of meeting and related documents are dispatched to the shareholders 15 working days prior to the AGM, as per Section 135 of the Companies Act No. 07 of 2007.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
C.1.5	Procedures of voting at the AGM	Compliant	The proxy form including a summary of the procedures governing voting at the AGM is circulated to all shareholders.
C.2 Communication with Shareholders The Code stipulates that the Board should implement effective communication with Shareholders			
C.2.1	Dissemination of timely information	Compliant	All information with regard to the Annual Report and Quarterly Reports are disseminated through Head of Marketing, Corporate Communications and CSR and all changes through the Company Secretary – SSP Corporate Services (Pvt) Ltd.
C.2.2	Disclosure of Method of communication with Shareholders	Compliant	Expolanka Holdings PLC maintains an 'Open Door' Policy with regard to communication with shareholders and shareholders are welcomed to direct their suggestions / inquiries to the Group CEO and Board Secretary.
C.2.3	Implementation of Policy and Method of communication	Compliant	Multiple channels of communication are available. The Feedback form in the Annual Report / the Group websites contact us link, the contact person details in the Annual Report are the main methods of communication. However interaction through Investor Meetings & Investor Events also serve as engaging forms of interaction.
C.2.4	Disclosure of Contact Person	Compliant	The contact person for shareholder engagement is disclosed in the Annual Report whilst a contact link in the website also serves as a conduit for interaction.
C.2.5	Process and Disclosure of Director's awareness of concerns of Shareholders	Compliant	Concerns are raised to the Group CEO for discussion with the Board, as and where the issues raised are deemed critical or noteworthy.
C.2.6	Requirements for the Contact Person	Compliant	Contact person details are clearly communicated. The contact person is well versed with the requirements of the role.
C.2.7	Process of Responding to Shareholder's matters	Compliant	Shareholder matters are responded to at the first line of interaction by the key contact person, if issues / suggestions / inquiries are raised to the Group CEO or the Board, resolutions or clarifications are made by the office of the Group CEO.
C.3 Major Transactions All major transactions that will materially impact on the net asset base of the Company or the Group are to be disclosed to the shareholders.			
C.3.1	Disclosure on major transactions	Compliant	Procedures are in place to disclose major transactions that will materially alter the net asset base. During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which had a material impact on the net asset base of the Company and the consolidated Group.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D. Accountability and Audit			
D.1 Financial Reporting The Code requires a fair and a balance report on the organization's financial position, performance and prospect.			
D.1.1	Board's responsibility for statutory and regulatory reporting	Compliant	The Company's Interim and Annual Financial Statements are prepared in accordance to the Sri Lanka Accounting Standards and the Companies Act No 7 of 2007 and duly audited. The Interim and Annual Financial statements were published on time during the reporting period. All Regulatory Reports were filed by the due dates. Price sensitive information was disclosed to the Colombo Stock Exchange (CSE) on a timely basis during the financial year 2014/15.
D.1.2	Directors' Report in the Annual Report	Compliant	The Annual Report of the Board of Directors on the affairs of the Company containing the subject declarations is given in this Annual Report.
D.1.3	Statement of Directors' and Auditor's responsibility for the Financial Statements	Compliant	A Report on the Statement of Directors' Responsibilities is given in this Annual Report. The Auditor's Report on the financial statements for the year ended 2014/15 is given on page under Independent Auditors Report
D.1.4	Management Discussion and Analysis	Compliant	Management Discussion and Analysis is presented on the Company together with the subsidiaries as separate sections under different sectors in this Annual Report.
D.1.5	Declaration by the Board on the business as a going concern	Compliant	The relevant information is set out in the Report of the Board of Directors on the Affairs of the company Report in this Annual Report.
D.1.6	Summon an Extra Ordinary General Meeting (EGM) to notify serious loss of capital	Compliant	EGMs are held for companies complying with the requirements However there was no requirement for the EGMs to be held in the FY 2014-2015
D.1.7	Disclosure of Related party transactions in the Annual Report	Compliant	Related party Transactions have been disclosed in Related Party Disclosures under Notes to the Financial Statements.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.2 Internal Control The Board is required to maintain a comprehensive system of Internal Controls and Risk Management to safeguard the shareholder's wealth and Company's sustainability.			
D.2.1	Review the effectiveness of internal controls	Compliant	The Board has the overall responsibility for the system of internal controls covering financial, operational, compliance and risk management. The Board has delegated these responsibilities to the Audit Committee. Systems have been designed to provide the Directors with the reasonable assurance that assets are safeguarded; transactions are authorized and recorded properly whilst material errors and irregularities are prevented, detected and rectified effectively.
D.2.2	Internal Audit function	Compliant	Internal Audit Function is available in the Organization.
D.2.3	Review the process of Internal Control and Risk Management	Compliant	Internal audit function has been outsourced to Messrs. PricewaterhouseCoopers Advisory Services (Pvt) Ltd. Group's Risk & Control Department coordinates and ensures that recommendations are implemented conscientiously apart from carrying out various other audits and special assignments across the group. The effectiveness and the scope of the Internal Audit Function is assed periodically.
D.2.4	Director's responsibility on maintaining a system of Internal Control and Contents of the Statement of Internal Control	Compliant	Statement on Internal Control is included under the Audit Committee Report.
D.3 Audit Committee The Board is responsible to appoint an Audit Committee to establish a formal and transparent process to select Accounting Policies, Financial Reporting and Internal Controls and to maintain an appropriate relationship with the Auditors.			
D.3.1	Composition of the Audit Committee		The Audit Committee comprises of two Independent Non-Executive Directors. Please refer the Audit Committee Report in this Annual Report.
D.3.2	Duties of the Audit Committee		Please refer the Audit Committee Report as specified in D.3.1
D.3.3	Terms of Reference of the Audit Committee		The Audit Committee operates on a clearly defined Terms of Reference which focuses on the purpose of the Committee, its duties and responsibilities including the scope and functions of the Committee.
D.3.4	Disclosures of the Audit Committee		The Audit Committee Report highlights the names of the members, determination of independence of auditors and other relevant information.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
D.4 Code of Business Conduct and Ethics The Code stipulates the Company may adopt a Code of Business Conduct and Ethics on Directors and key Management Personnel and to declare any material violations.			
D.4.1	Disclosure of Code of Business Conduct and Ethics	Compliant	The Company has adopted and is in compliance to the Code of Business Conduct and Ethics applicable to Directors and all employees across the Group. Any violation of the Code is taken for consideration.
D.4.2	Affirmation of the Code of Business Conduct and Ethics	Compliant	Please refer the Chairman's Statement on Corporate Governance and the Annual Report of the Board of Directors on affairs of the comapny report which affirm that there are no material violations of the Company's Code of Business Conduct and Ethics during the reporting period.
D.5 Corporate Governance Disclosures The Code requires the Company to disclose the extent to which the Company adheres to established practices and principles of good Corporate Governance.			
D.5.1	Disclosure of Corporate Governance	Compliant	The Corporate Governance Report herein sets out the manner in and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC.

Section 2 – Shareholders

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
E. Institutional Investors			
E.1 Shareholder Voting The Code specifies the Company to engage the institutional shareholders and encourage them to exercise their voting rights in key decision making.			
E.1.1	Communication with shareholders	Compliant	The AGM provides an ideal forum for shareholders to express their views and vote for key decisions. The Chairman ensures that any view expressed by investors at the AGM is discussed at the Board level. Shareholders are provided with Quarterly Financial Statements and the Annual Report including the operational and financial performance of the reporting year. These reports are also made available on the Group's official website and are provided to the Colombo Stock Exchange.
E.2 Evaluation of Governance Disclosures The Code specifies obtaining a feedback from institutional investors on the governance structure, composition and practices.			
E.2.1	Due weight by institutional Investors	Compliant	The Corporate Governance Report contains the Company's governance arrangements. Institutional investors are encouraged to give a feedback on the governance arrangements.

SEC & ICASL Code Reference	Corporate Governance Principles	Compliance Status	Extent of Adoption
F. Other Investors			
F.1	Individual Shareholders	Compliant	The Annual Report contains sufficient information in order to carry out adequate analysis or seek independent advice regarding Investing / Divesting decisions. Following are the main reports included in this Annual Report which provide an overall assessment of the Company's affairs during the financial year 2014/15 and the way forward: ☼ Chairman's Review ☼ CEO's Review ☼ Management Discussion and Analysis ☼ Annual Financial Statements
F.2	Shareholder Voting	Compliant	All shareholders are encouraged to participate at the AGM and cast their votes or exercise their proxy for decision making.
G. Sustainability Reporting			
G.1 Principles of Sustainability Reporting			
G.1.1	Economic Sustainability	Compliant	Please refer Economic Value statement in the Financial Performance and Group Strategy Sections in the Annual Report
G.1.2	The Environment	Compliant	The environment has been discussed in the Environment section in the annual report
G.1.3	Labour Practice	Compliant	Labour practices has been discussed in the Employee Relations section in the annual report
G.1.4	Society	Compliant	Engagement with the society has been discussed in the fusing social responsibility section under the four sectors in the annual report.
G.1.5	Product Responsibility	Compliant	Refer Report on Product Responsibility in this Annual Report
G.1.6	Stakeholder Identification, Engagement and Effective Communication	Compliant	Please refer Engaging for Inclusiveness Report in the Annual Report.
G.1.7	Sustainability Reporting and Disclosure	Compliant	Please refer the Report Approach section in the Annual report

Section B

This section covers the extent of Group's commitment and compliance to the Continuing Listing Requirements Section 7.10 of the Rules on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange under the following headings:

- Non- Executive Directors
- Independent Directors
- Disclosures relating to Directors
- Remuneration Committee
- Audit Committee

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.1(a)	Non-Executive Directors	Two or one third of the total number of Directors, whichever is higher, shall be Non-Executive Directors.	Compliant	The Board comprises of eight Non-Executive Directors out of the total of nine Directors.
7.10.2 (a) & (b)	Independent Non-Executive Directors	Two or one third of Non-Executive Directors, whichever is higher, shall be independent. Declaration of Independence by Non-Executive Directors	Compliant	The Board comprises of three independent Non-Executive Directors. Non-Executive directors have submitted declaration of Independence
7.10.3(a)	Disclosure relating to Directors	The names of all Independent Directors shall be disclosed in the Annual Report.	Compliant	Please refer Directors Profiles section in the Annual Report for Directors' disclosures
7.10.3(b)	Disclosure relating to Directors	In the event a Director does not qualify as "independent" as per the rules of Corporate Governance but if the Board is of the opinion that the director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	Compliant	No such determination has been carried out by the Board.
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director which includes information on the nature of his/her expertise in relevant functional areas is to be published in the Annual Report.	Compliant	Please refer Directors Profiles in the Annual Report for Directors' disclosures
7.10.3(d)	Disclosure relating to Directors	Upon appointment of a new Director to its Board, the Company shall forthwith provide to the CSE a brief resume of such Director.	Compliant	Information on Directors have been shared with the CSE as per the requirement
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Refer Remuneration Committee Report of this Annual Report.

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.5(a)	Remuneration Committee – Members	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non- Executive Directors, whichever is higher.	Compliant	The Remuneration Committee comprises two Independent Non-Executive Directors.
7.10.5(b)	Remuneration Committee Functions	The Remuneration Committee shall recommend to the Board remuneration payable to the Executive Directors and to the CEO	Compliant	Refer Remuneration Committee Report of this Annual Report.
7.10.5(c)	Disclosure in the Annual Report	The Annual Report should set out: ☼ Names of the Directors of the Remuneration Committee ☼ The statement of Remuneration Policy ☼ Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Refer Remuneration Committee Report of this Annual Report, the Annual Report of the Board of directors on the affairs of the company and the notes to financial statements includes aggragate remuneration paid to directors
7.10.6	Audit Committee	A listed company shall have an Audit Committee	Compliant	Refer Audit Committee Report of this Annual Report.
7.10.6(a)	Composition of the Audit Committee	☼ The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher. ☼ One of the Non-Executive Directors shall be appointed as the Chairman of the Committee by the Board of Directors ☼ The CEO and CFO shall attend the Audit Committee meetings ☼ The Chairman or one member of the Audit Committee shall be a member of a recognized professional accounting body	Compliant	☼ The Audit Committee comprises of two Independent Non-Executive Directors ☼ Mr. Sanjay Kulatunga (Independent Non-Executive Director) acts as the Chairman of the Committee ☼ The Group CEO and CFO attend meetings by invitation ☼ The Chairman is an Associate Member of the Chartered Institute of Management Accountants and a Chartered Financial Analyst.

CSE Rule No.	Subject	Requirement	Compliance	Details
7.10.6(b)	Functions of the Audit Committee	The Audit Committee shall oversee the following functions. ☼ Preparation, presentation and disclosure of the financial statements and ensure they are in line with the Sri Lanka Accounting Standards ☼ Compliance with Financial Reporting, Companies Act and other financial reporting regulations and requirements ☼ Processes to ensure that Internal Controls and Risk Management are adequate to meet the requirements of Sri Lanka Accounting Standards ☼ Assessment of the independence and performance of external auditors ☼ Appointment, re-appointment and removal of external auditors and approve the terms of remuneration and terms of engagement.	Compliant	Refer the Audit Committee Report as specified in 7.10.6
7.10.6(c)	Disclosure in the Annual Report	The Annual Report shall disclose: ☼ Names of the Directors of the Audit Committee ☼ The determination of the independence of the Auditors and the basis for such determination ☼ A Report by the Audit Committee setting out the manner of compliance with the listing rule 7.10 on Corporate Governance	Compliant	Refer the Audit Committee Report as specified in 7.10.6 and the Directors' Disclosures on Directors Profiles.

Risk Management Report

Risk is any event or situation which, if it occurred, would adversely impact the achievement of objectives. While risks cannot be completely eliminated, it needs to be managed effectively by adopting a proactive approach. A structured and effective Risk Management process enables management to identify, manage and prepare for risks in an informed, controlled and transparent manner.

Risk remains an intrinsic component of doing business and Expolanka with its global presence is exposed to variety of risks from industry to country specific risks in which it operates. Risk Management is of paramount importance to create value for the group and to ensure long term sustainability of business. Hence entrepreneurial decisions we make daily in the course of business are based on balancing opportunities and risks.

The Group creates continuous awareness by nurturing a risk culture that balances growth and risk, supported by a comprehensive policy framework with effective governance structure to manage risks. We seek to achieve an appropriate balance between risk and reward in business, and committed to maintain and continuously improve our risk management capabilities to assist sustainable growth in a controlled environment.

Risk Management Framework

Our risk management framework ensures that key risks are pro-actively identified, assessed, responded to and reviewed appropriately. The framework establishes the governance, policies, procedures and practices to minimize the probability of occurrence and consequence of the identified risks.

As a part of the overall Corporate Governance framework and to ensure a safe and sound operation of the Group, the Board is responsible for overseeing that the Group has in place systems and functions to address the key risks it faces. The Audit Committee has been delegated the responsibility for reviewing the effectiveness of the Group's risk management process, including the systems established to identify, assess, manage and monitor risks.

Responsibility and accountability for risk management resides at all levels within the group, from the Board down through to each business unit head. The Board recognises that risk is an integral component of the business and carefully considers the level of risk it is prepared to tolerate.The directors consider business risks when setting strategies, approving budgets and monitoring progress against budgets.

The group has taken several steps to strengthen the internal control environment and the risk management framework of the group through the below:

- Establishment of Committees: Audit Committee, Remuneration Committee, Risk Committee, Investment Committee and Insurance Committee to oversee and critically review the operations of the respective areas.
- Risk & Control Department: Appointing a Risk and Control department to oversee the risk management aspects of the group along with compliance to controls, policies and procedures.
- Internal Audits: Appointment of PwC internal auditors to provide independent assurance on the effectiveness of internal controls of the group. Internal Audits also plays a key role by providing a foundation for the management of risks by setting the tone and influencing the control consciousness within the group.
- Policies & Procedures: Roll out of policies pertaining to Cash Management, Accounts Receivable, Fixed Assets, Treasury, Risk Management, Regulatory Compliance, Code of Ethics, Spot Check etc. to give direction to the management to build a robust control environment.

The Group has adopted the below Risk Management Framework and believes the below is commensurate for the size and nature of the operation of the Group:

Monitoring by the Group Risk Committee

The Group Risk Committee which is chaired by the Group Finance Director convenes six times a year. The Risk Committee reviews the Audit Committee action points, Risk Registers of subsidiaries, Regulatory Compliance Status, High Risks highlighted by the independent auditors and the Risk & Control team and the progress under each area.

Monitoring by the Audit Committee

The minutes of the Risk Committee meetings is reviewed by the Audit Committee. Audit Committee also reviews the Internal Audit Reports and Management Letters issued by Internal and External Auditors. The Audit Committee also provide inputs on areas where the attention of the Risk Committee is deemed necessary.

Monitoring by the Main Board

Minutes of the Audit Committee Meetings are tabled at the Board meeting and is reviewed by the Board. The Board also reviews the monthly Regulatory Compliance Checklist which is tabled during the meeting.

Risk Governance

The Group's risk management practices are organized in three lines of defense. This ensures a segregation of duties between Business Units, Unit in charge of Risk oversight and Control and the Internal Audit.

1st Line of Defense	Risk Ownership – Business units	Responsible for: ☼ Implementing groups' policies and procedures on internal controls and risk management ☼ Managing risks and maintaining effective internal controls
2nd Line of Defense	Risk Oversight – Group Risk & control	Responsible for: ☼ Setting Groups' Risk Management Framework and Policy ☼ Providing oversight and independent reporting to Senior Management
3rd Line of Defense	Internal Audit – Independent Assurance	Responsible for: ☼ Providing independent assurance on the effectiveness of overall risk management framework ☼ Reporting to the Audit Committee of the Group

1st Line of Defense - Operational Management

The primary responsibility for risk management lies at the business level where operational managers own and manage risks which forms the first line of defense. Operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Part of the role of all business unit heads across the Group is to ensure risks are managed appropriately.

2nd Line of Defense – Risk Management Function

The Risk & Control Department forms the second line of defense and is responsible for developing the Group's risk management policies and procedures as well as ensuring compliance. Department is also responsible for ensuring that risks identified through internal audit are timely addressed through periodic follow ups. It also monitors Monthly Compliance checklist for the Group to ensure regulatory compliance.

- ☼ Facilitating and monitoring implementation of effective risk management practices
- ☼ Monitoring the adequacy and effectiveness of internal control, accuracy and completeness of reporting, compliance with laws and regulations, and timely remediation of deficiencies
- ☼ Implementing policies and procedures to improve and strengthen the internal control environment

3rd Line of Defense – Internal Audit

The third line of defense, Internal Audit provides independent and objective assurance on the effectiveness of governance, risk management and internal controls of the Group and monitors the effectiveness of implementation of agreed actions to mitigate identified risks through follow up audits. They report their findings to the Management and the Audit Committee.

The scope of this assurance covers:

- ☼ A broad range of objectives, including efficiency and effectiveness of operations; safeguarding of assets; reliability and integrity of reporting

processes; and compliance with laws, regulations, policies and procedures

- The overall entity, divisions, subsidiaries, operating units, and functions — including business processes, such as Sales, Production, Marketing and Operations — as well as supporting functions such as Treasury, Human Resources, Payroll, Legal & Secretarial and Information Technology
- Internal Control and Risk Management framework and its elements.

Risk Factors

This section of the report highlights what senior management regards as the main risk factors that could affect the business and the measures being taken to minimize the risks and to mitigate their severity.

The table highlights the main risk factors known to the Group which could hinder it in achieving its strategic and financial business objectives, in order to give stakeholders an insight into which risks it considers more prominent than others at present. Grading of different risks as medium or low does not mean that particular risk may not have a material and adverse impact on Expolanka's business and strategic objectives. Over time Expolanka may change its view as to the relative significance of each risk factor.

A description of the main risks faced by the Group and controls implemented to mitigate/manage such risks are given below;

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 13/14	Risk Grading 14/15
Business Partner Risk	Loss of principals/business partners due to global mergers and acquisitions, intense competition and service level gaps	☼ Transaction to Solution driven business initiatives to add value to the service provided. ☼ Improvement to Service Level Agreements ☼ Investment Committee evaluations on new investments	Medium	Medium
Product & Market Dependency Risk	Loss of market share or market leadership in relevant segment due to intense competition from existing and potential competitors, changes in customer attitudes due to adverse economic and social conditions.	☼ Synergistic acquisitions to broaden the product and market range ☼ Venture into new markets with existing products for growth opportunities post in-depth review ☼ Enhanced overall supply chain management to provide a comprehensive value added solutions to the customer	Medium	Medium
Credit risk	Probable income loss arising due to the probability of default by the company's debtors.	☼ Credit Evaluation and Approvals ☼ Company wise credit policies ☼ Credit default recoveries through centralized legal department	Medium	Medium

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 13/14	Risk Grading 14/15
Investment Risk	The future profitability of the group is affected by the degree of realization of expected earnings on investments	☼ Investment appraisal on new ventures by the Investment Committee ☼ Expert Legal advice on investment agreements ☼ In-depth Financial, Commercial and Legal due diligence on investment prior to decision making	Medium	Medium
Legal & Compliance Risk	Changes to regulations or new regulations imposed could bring adverse effect on our businesses.	☼ Monthly Report on Regulatory Compliance ☼ Legal Policies and Processes ☼ Legal Audit	Low	Low
Human Capital Risk	Risk arising as a result of failure to attract, develop and retain a skilled workforce	☼ HR Leadership Development Programmes ☼ Enhanced sources of recruitment ☼ Reward and recognize hard work, innovation and excellence ☼ Health camps	Low	Low
System & Technology Risk	Potential for system failures, Inaccuracy or delays in decision making due to inaccurate or non-availability of timely information from key computer systems	☼ Independent ITGC Audit ☼ Robust controls to secure IT systems and processing information to increase confidentiality and integrity of data. ☼ Recruitment of Specialized IT Security personnel ☼ Implementation of Disaster Recovery with latest technologies to support business continuity. ☼ Improvement of existing IT security infrastructure and implementation of new firewall system to support branch network. ☼ Trainings on existing and latest best suited technologies and adaptation of available IT best practice to align with IT governance.	Medium	Medium

Risk Management Report Contd.

Risk Factors	Risk Exposure	Key Controls & Mitigating Actions	Risk Grading 13/14	Risk Grading 14/15
Foreign Exchange Risk	Potential losses as a result of high volatility in foreign currency exchange rates against the Sri Lankan Rupee.	☼ Group Treasury Policy ☼ Natural Hedging through receivables and payables ☼ Convert or Hold foreign currency strategy based on exchange rate movement	Low	Low
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	☼ Group Policies and Procedures ☼ Periodic audit performed by Internal Auditors to ensure compliance and the effectiveness of operational controls. ☼ Business continuity plans to ensure smooth operations	Medium	Medium
Country Risk	Risk of operating in new markets, political risks	☼ Analyzing PEST factors and developing appropriate strategies ☼ Monitoring of country specific legal & regulatory requirements	-	Medium
Reputational Risk	Reputational risk results in damage to the group's image among stakeholders, which may impair its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships.	☼ Channeling of all media communications through Group's Corporate Communication department ☼ Customer feedback system implemented to gauge customer satisfaction as a part of continuous development ☼ Brand monitoring and approval process to mitigate potential brand threats ☼ Communication of Code of Ethics to all recruits ☼ Strict adherence to statutory and regulatory compliance	-	Medium

Remuneration Committee Report

The Remuneration committee of Expolanka Holdings PLC consists of two independent Directors. Namely;

Mr. Harsha Amarasekera PC - *(Chairman)*

Mr. Sanjay Kulatunga

The ultimate objective of the Remuneration Committee and its' policy since its inception was to ensure that members of the Executive Management of the Company are provided with appropriate incentives to;

(a) Encourage enhanced performance

(b) Ensure fair and responsible rewards for individual contributions to the success of the Company

(c) Review the relevance of the remuneration policy and make required changes

The Remuneration Committee met once during the year. The committee reviewed the salary and benefits of the top management and the executive director of the company. The rating scale which was established the previous year to measure performance and reward top management was put in to practice during the year 2014/2015 in determining the salary revisions of the top management of the group.

The committee interacted with the Group CEO, and the Director – Group Finance in carrying out their duties. The work of the committee was facilitated by the Director - Group HR based on the directions and requests of the Chairman and the members of the Remuneration Committee.

Harsha Amarasekera
Chairman - Remuneration Committee

Dream

Think Big

AS THE SUN PEEKS OVER AN INKY HORIZON, OUR SIGHTS ARE ALWAYS PLACED ON BIGGER AND BETTER THINGS AND THAT IS HOW WE HAVE ACHIEVED OUR POSITION AS A LEADER, STANDING ABOVE THE REST.

Annual Report of the Board of Directors on the Affairs of the Company

The Directors have pleasure in presenting the Annual Report on the State of Affairs, together with the Audited Financial Statements for the year ended 31st March 2015 of Expolanka Holdings PLC a Diversified Holding Company, listed on the Colombo Stock Exchange, Audited Consolidated Financial Statement of the Group and the Auditors' Report on those Financial Statements. Expolanka Holdings PLC which was incorporated in Sri Lanka on 05th March 2003 as a Private Limited Liability Company under the Companies Act No. 17 of 1982 and Re-registered on 11th November 2008 a Public Limited Liability Company under the Company's Act No 07 of 2007 and the Company's Re-registration Number is PB 744.

The contents of this Report are in accordance with the statutory requirements, the requirements of relevant regulatory authorities and best accounting practices which have been brought to the notice of the shareholders and other stakeholders. These Audited Financial Statements were approved by the Board of Directors at the Board Meeting held on 24 June 2015.

Covenant and Core Values

Expolanka's covenant is;
'Building a great business with a dare to do spirit'

and the Expolanka's core values are;

- We will always follow ethical business principles in transacting and managing business
- Caring for stakeholder's interests
- Commitment to excellence
- Innovation and entrepreneurship

The business activities of the Company and the Group are conducted maintaining the highest levels of ethical standards in achieving its corporate objectives. All new staff absorbed to the permanent cadre are of the Company are briefed on the requirements of the code of conduct and ethics.

Principal Activities

Expolanka Holdings PLC, the Group's holding Company manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Expolanka Group, and provides numerous function based services to its Group Companies. The Companies within the Group and its holding percentages are described on page 181 of this Annual Report. The principal activities of the Group are categorized into four sectors namely, Freight & Logistics, Travels & Leisure, International Trading & Manufacturing and Investments & Services.

Business Review and Prospects

A review of both financial and operational performances during the year under review along with financial highlights and also future business developments and strategies of the Group, Sectors and Individual Business Units are described in the Management Discussion and Analysis section, Chairman's Message and CEO's Review of the Annual Report. These reports together with the Audited Financial Statements reflect the state of the affairs of the Company and the Group.

The Directors, to the best of their knowledge and belief confirm that the Company and the Group have not engaged in any activities that contravene the laws and regulations of the country and any regulatory institutions.

Financial Statements

The Audited Financial Statements of the Company and the Group are given on pages 174 to 223.

Auditor's Report

The Auditor's Report on the Financial Statements of the Company and the Group is given on page 173.

Accounting Policies

Details of accounting policies have been discussed in Note 2 of the financial statements. There have been no changes in the accounting policies adopted by the group during the year under review.

Revenue

Revenue generated by the Company amounted to Rs. 142,547,931 (2014 - Rs. 140,010,627) whilst Group revenue amounted to Rs. 52,651,744,313 (2014 - Rs. 53,319,080,333). Contribution to the group revenue from the different business segments is provided in page 45.

Results and Appropriations

The profit after tax of the holding Company was Rs. 402,837,367 (2014 - Rs. 984,076,123) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 885,785,599 (2014 - Rs. 1,426,005,898). Results of the Company and of the Group are given in the income statement in the audited financial statement.

The Company declared an interim dividend of Rs. 645,121,950 at Rs. 0.33 cents per share for the financial

year 2013/14. Dividend per share has been computed based on the amount of dividends recognised as distribution to the equity holders during the period. As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors has confirmed that the company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained a certificate from the auditors, prior to declaring the dividend.

Donation

Total donations made by the Company and Group during the year amounted to Rs.0 (2014 -Rs. 30,000) and Rs. 9,116,939 (2014 - Rs. 14,707,820) respectively. The amounts do not include contributions on account of Corporate Social Responsibility (CSR) initiatives. The CSR initiatives, including completed and on-going projects, are detailed in the sustainability report of the annual report.

Property, Plant and Equipment

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 44,064,097 (2014 - Rs. 67,575,741) and Rs. 3,376,244,302 (2014 - Rs. 3,666,387,194) for the Company and the Group respectively. Capital expenditure for the Company and the Group amounted to Rs. 4,837,004 (2014 - Rs. 20,072,720) and Rs. 479,410,062 (2014 - Rs. 689,188,136) respectively. Details of Property, Plant and Equipment and their movements are given in Note 3 to the financial statements.

Investments

Investments of the Company in subsidiaries, associates, joint ventures and other external equity investments amounted to Rs. 5,105,448,950 (2014 - Rs. 5,313,762,364) respectively. Detailed description of the short and long term investments held as at the balance sheet date, are given in Notes 200 to 205 to the financial statements.

Stated Capital Movements

There was no movement in the stated capital during the year under review and is given below;

Stated Capital	Rs
As at 01 April 2014	4,097,985,000
Movements during the year	-
As at 31 March 2015	4,097,985,000

Directorate

The names of the Directors who held office at the end of the financial year are given below.

Nobuaki Kondo	- Chairman
Hanif Yusoof	- CEO / Executive Director
Naosuke Kawasaki	- Non-Executive Director
Motonori Matsuzono	- Non-Executive Director
Yoshifumi Matsubara	- Non-Executive Director
Osman Kassim	- Non-Executive Director
Toji Shiho	- Non-Executive Independent Director
Sanjay Kulatunga	- Non-Executive Independent Director
Harsha Amarasekera	- Non-Executive Independent Director

The Directors' brief profiles are given in the Board of Directors section of the Annual Report. The section also includes names of persons holding office as Directors of the company and all its subsidiary and associate companies as at 31 March 2015.

Directors Remuneration

Directors' remuneration, in respect of the Company for the financial year 2014/15 is Rs. 29,975,275. Directors' remuneration in respect of the Company's Subsidiaries for the financial year 2014/15 is Rs. 216, 895,105.

Audit Committee

The following Directors serve the Audit committee;

Sanjay Kulatunga - Chairman
Harsha Amarasekera - Member

The report of the Audit Committee is given under the section of Corporate Governance of the Annual Report.

Remuneration Committee

Harsha Amarasekera - Chairman
Sanjay Kulatunga - Member

The report of the Remuneration Committee is given under the section of Corporate Governance of the Annual Report

Share Information

The distribution and composition of shareholders and the information relating to share trading is given in the Share Information section of the Annual Report. Given below, as additional disclosure, are the Expolanka Holdings PLC's Board of Directors' shareholdings as at 31 March 2014.

Name of Director	No of Shares
Nobuaki Kondo	Nil
Hanif Yusoof	147,021,464
Osman Kassim	163,191,899
Naosuke Kawasaki	Nil
Motonori Matsuzono	Nil
Yoshifumi Matsubara	Nil
Toji Shiho	Nil
Sanjay Kulatunga	Nil
Harsha Amarasekera	Nil

Shareholders

It is the Group's policy to endeavour to ensure equitable treatment to its shareholders at all times.

	Name of Shareholder	As at 31 Mar 15	%	As at 31 Dec 14	%
1	SG Holdings Global PTE.LTD	1,005,349,680	51.43%	1,005,349,680	51.43%
2	Osman Kassim	163,191,899	8.35%	163,191,899	8.35%
3	Shafik Kassim	163,191,899	8.35%	163,191,899	8.35%
4	Sattar Kassim	161,944,128	8.28%	165,817,506	8.48%
5	Farook Kassim	160,741,899	8.22%	160,741,899	8.22%
6	Hanif Yusoof	147,021,464	7.52%	147,021,464	7.52%
7	HSBC INTL NOM LTD-SSBT-WASATCH International Opportunities Fund	42,897,800	2.19%	42,897,800	2.19%
8	Janashakthi General Insurance limited	10,038,263	0.51%	10,038,263	0.51%
9	HSBC INTL NOM LTD-BBH-MATTHEWS EMERGING ASIA FUND	9,348,946	0.48%	-	-
10	HSBC INTL NOM LTD-BBH-GRANDEUR PEAK Emerging Markets Opportunities Fund	8,266,517	0.42%	8,266,517	0.42%
11	Guardian Capital Partners PLC	6,845,150	0.35%	6,845,150	0.35%
12	HSBC INTL NOM LTD-BBH-GRANDEUR PEAK GLOBAL REACH Fund	5,864,300	0.30%	5,864,300	0.30%
13	Janashakthi Insurance PLC (Policy Holders)	3,780,100	0.19%	3,780,100	0.19%
14	Employees Trust Fund Board	3,486,700	0.18%	3,486,700	0.18%
15	Bank of Ceylon No.1 Account	1,657,820	0.08%	1,657,820	0.08%
16	Nadesapillai Pusparaj	1,455,900	0.07%	1,455,900	0.07%
17	Amarakoon Mudiyanselage Weerasinghe	1,156,966	0.06%	1,156,966	0.06%
18	Shiraz Hussein	1,140,000	0.06%	1,140,000	0.06%
19	Jinadasa Wetthinge	1,000,000	0.05%	1,000,000	0.05%
20	Lanka Orix Finance Company PLC	1,000,000	0.05%	1,000,000	0.05%

Corporate Governance

The Company has complied with the Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange. The Expolanka Governance section on pages 141 to 155 discusses the areas pertaining to Corporate Governance in detail.

Auditors

Messrs Ernst & Young, Chartered Accountants, are deemed reappointed, in terms of Section 158 of the Companies Act No. 7 of 2007, as Auditors of the Company. A resolution proposing the Directors be authorized to determine their remuneration will be submitted at the Annual General Meeting. Details of audit fees are set out in Note 21 of the financial statements. In addition to the above, Group companies, both, local and overseas, engage with other audit firms. The Auditors of the Company and its Subsidiaries have confirmed that they do not have any relationships (other than that of Auditor) with, or interests in, the Company or any of its Subsidiaries.

The Auditors Report is found in the Financial Information section of the Annual Report. The Audit Committee reviews the appointment of the Auditor, its effectiveness, its independence and its relationship with the group, including the level of audit and non-audit fees paid to the Auditor. The details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report.

Employment

The Company and its Subsidiaries have equal opportunity policy and such employee related codes are enshrined in the respective selection, training, development and promotion policies, ensuring that all related decisions are purely based on merit. In this regard the Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability.
The number of persons employed by the Company and its Subsidiaries at year-end was 2,727 (2014 – 2,789).
The details of the Group's employment, human resources initiatives and employees are included under the group Human Resources section of the Annual Report. There have been no material issues pertaining to the employees and employee relations of the Company and its Subsidiaries.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the company and its subsidiaries, and all other known statutory dues as were due and payable by the company and its subsidiaries as at the balance sheet date have been paid or, where relevant provided for, except as specified in the financial statements covering contingent liabilities.

Risk Management and Internal Control

The Board confirms that there is an established process in place for identifying, evaluating and managing any significant risks faced by the group. Risk assessment and evaluation for each business unit takes place as an integral part of the annual strategic planning cycle and the principle risks and mitigating actions in place are reviewed on a periodic basis by the Board and the Audit Committee. The Board, through the involvement of the risk review and control department takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives reports on the results of Internal Control reviews and recommendations are made to constantly enhance the system controls. The Risk Management report is given under the Governance Section of the Annual Report.

Events Occurring after the Balance Sheet Date

No circumstances have arisen since the Balance Sheet date that would require adjustment, other than those disclosed in Note 27 to the Financial Statements.

Going Concern

The Directors are satisfied that the company, its subsidiaries and associates, have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis. The Directors after making necessary inquiries and reviews including reviews of the group's budget for the ensuing year, capital expenditure requirements, future prospects and risks and cash flows, and such other matters are satisfied that the company and the Group have adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Environmental Protection

The group complies with the relevant environmental laws, regulations and endeavours to comply with best practices applicable in the country of operation. A summary of selected group activities in the above area is contained in the Sustainability Report.

Annual Report of the Board of Directors on the Affairs of the Company Contd.

Sustainability

The Group pursues its business goals under corporate business governance and the group has taken numerous steps, particularly in ensuring the conservation of its natural resources and environment. These steps have been encapsulated in a group-wide sustainability programmes that were launched and are being launched on a continuous manner and immense progress have been made in various projects. The Sustainability Report form part of this annual report and could refer on page 52.

Annual Report

The Board of Directors has approved the Company and the Consolidated Financial Statements on 24 June 2015. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

Annual General Meeting

The Annual General Meeting of the company will be held at the Bougainvillea, Galadari Hotel, No. 64, Lotus Road, Colombo 01, on Monday 3rd August 2015 at 4.30 pm.

By Order of the Board

Hanif Yusoof
Director

Osman Kassim
Director

SSP Corporate Services (Pvt) Ltd
Secretaries

24 June 2015

The Statement of Directors' Responsibilities

The Responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provisions of the Companies Act No 7 of 2007, is set out in the Report of the Auditors.

The Directors are responsible under the Companies Act No 7 of 2007, to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year. The Directors are also responsible under Section 148 for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the financial statements. The Directors have taken adequate steps to ensure that the Company and its subsidiaries maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and its subsidiaries.

The financial statements comprise of;

- Balance sheet which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year.
- Income statement of the Company and its subsidiaries, which presents a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year.

The Directors are required to confirm that the financial statements have been prepared;

- Using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- Presented in accordance with the Sri Lanka Accounting Standards; and that
- Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provides the information required by and otherwise comply with the Companies Act No 7 of 2007 and the Listing Rules of the Colombo Stock Exchange

The Directors are also required to ensure, based on their knowledge of the Company and the key operations, that the Company and its subsidiaries have adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of its subsidiaries and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

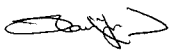
The External Auditors, Messrs Ernst & Young, reappointed in terms of Section 158 of the Companies Act were provided with every opportunity to take whatever steps and undertake whatever inspections that they considered being appropriate to enable them to give their audit opinion on the financial statements. The Report of the Auditors, shown on page 173 sets out their responsibilities in relation to the financial statements.

As required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test and have obtained certificates from the auditors, prior to declaring the first interim dividend of Rs. 0.12 per share declared on 02nd July 2013 and second interim dividend of Rs. 0.21 per share declared on 20th January 2014.

Further the Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all statutory payment, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the balance sheet date have been paid or where relevant provided for, except as specified in Note 27 to the financial statements covering contingent liabilities.



Hanif Yusoof
Director

Osman Kassim
Director

24 June 2015

Audit Committee Report

Audit Committee

The Audit Committee which is independent and appointed by the Board to act as a sub-committee assists the Board in discharging its oversight responsibilities for:

- The integrity of the preparation and presentation of the financial statements in accordance with the applicable accounting standards
- The overview of internal control, risk and governance framework of the Group.
- Performance of external and internal auditors and ensuring their objectivity and independence.

Composition

The Audit Committee comprised of two Non-Executive Independent Directors during the year.

In June 2014, Dr. Sivakumar Selliah stepped down from the Committee and Mr. Harsha Amarasekera was appointed to the Committee.

Mr. Sanjay Kulatunga
MBA, ACMA, CFA
Chairman
Independent Non-Executive Director

Mr. Harsha Amarasekera
President's Counsel
Member
Independent Non-Executive Director

Meetings

The Audit Committee formally met 4 times during the year under review. Information on the attendance at these meetings by the members of the Committee is given below:

	28th May 2014	5th Aug 2014	30th Oct 2014	29th Jan 2015
Mr. Sanjay Kulatunga	☼	☼	☼	☼
Dr. Sivakumar Selliah*	☼			
Mr. Harsha Amarasekera**		☼	☼	☼

* Resigned with effect from 27th June 2014
** Appointed with effect from 27th June 2014

Company Secretaries, S.S.P. Corporate Services (Pvt) Ltd act as the Secretary to the Audit Committee.

Group CEO, Director Group Finance, Group Head of Finance, Group Management Accountant, External and Internal Auditors and Assistant Manager - Group Risk and Control attend all meetings by invitation. Other members of the senior management, Internal and External Auditors attended these meetings on a need basis.

Apart from the formal meetings there were several other informal meetings and communications involving the Chairman and the senior management of the group.

The minutes of the Audit Committee meetings are tabled at Board meetings.

Below table depicts the date of the meetings and the key areas of discussion

Meeting Date	Key Points of Discussion
28th May 2014	☼ Review of Quarterly Financials for the period ending 31st March 2014 ☼ Review and approval of Consolidated Financial Statements for the year ending 31st March 14 ☼ Review with EY Partner on areas highlighted in the Management Letter and the discussion with management on the actions taken/ to be taken with each point highlighted in the report ☼ Evaluation of the effectiveness of the Risk Management Process and the Framework and areas of special focus for the year ☼ Finalization of the Internal Audit Scope, areas of emphasis and the cost ☼ Review of adequacy of insurance coverage against the risk, current premium cost and mechanism to negotiate rates with the service provider
5th August 2014	☼ Status review of action points arising from the last Audit Committee meeting pertaining to High Risk Exposures, Credit Policies, Tax Exposures etc. ☼ Review of Financial Statements for the quarter ending 30th June 2014. ☼ Sector wise review of 1st quarter financials ☼ Review of significant goodwill balances in the Balance Sheet and the impairment test performed for same ☼ Tabling and review of Risk Committee minutes and status review of action points arising from the meetings. ☼ Discussion on new grant of authority and limits for check signatories for Expolanka Holdings post the change in Board of Directors
30th October 2014	☼ Review of Financial Statements for the quarter ending 30th September 2014. ☼ Sector wise review of 2nd quarter financials ☼ Tabling and review of Risk Committee minutes with an update on the process improvements pertaining to group information ☼ Discussion on the nature of current contingencies within the group along with the exposure and the status quo. ☼ Review of Group Overhead Costs and recommendation for formation of a Cost Management Committee with the objective of bringing efficiency to the existing operational processes to attain sustainable savings across the group without compromising the current service levels
29th January 2015	☼ Review of Financial Statements for the quarter ending 31st December 2014. ☼ Sector wise review of 3rd quarter financials. ☼ Review of tax planning exercise carried out by KPMG auditors for the group and the recommendations given in the report with regard to tax savings. ☼ Review of Group's Contingent Liabilities and Tax Assessments. ☼ Review of efforts and progress made by the Cost Management Committee in quantitative terms. ☼ Analysis and discussion on credit profile of Group Debtors and the strategies in place to reduce the DSO with the objective of credit policy compliance and reducing the overdue debtors. ☼ Tabling of Risk Committee minutes and status review of action points arising from the meetings with regard to Risk Register, Compliance Checklist, Group Regulatory Database and Internal Audit for International Stations etc.

Internal Audit & Internal Controls

The objectives of the Internal Audits is to have an independent review of the system of internal controls as established by the management, its adequacy and integrity and to determine the extent of adherence to the controls by the respective companies and to take corrective action where necessary. Internal audit is independently carried out by PricewaterhouseCoopers for Expolanka in accordance with an internal audit plan which is agreed with the Audit Committee before the start of the financial year.

Internal Audit reports include recommendations to improve internal controls together with agreed Management action plans to resolve the issues raised. Internal Audit follows up the implementation of recommendations and reports progress to the Senior Management and the Audit Committee. The Audit Committee reviews the findings of the Internal Audits completed during the year.

The Group Risk & Control ensures compliance to audit recommendations through implementation of systems, polices and controls and works closely with the Internal Auditors apart from coordinating the audits for the group.

The Committee also reviews the Compliance Report submitted and observes that the Company's regulatory compliance framework provides reasonable assurance that all relevant laws and regulations have been followed.

The Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the financial statements of the Company are reliable.

External Audit

The Committee met the External Auditors of the company Messrs. Ernst & Young Chartered Accountants to agree on the scope and approach and discussed the Audit Plan for the year before the audit commencement.

The Audit Committee reviewed and discussed the Group's quarterly and annual financial statements prior to publication with management and the External Auditors, including the extent of compliance with applicable Accounting Standards, appropriateness of its accounting policies, disclosures and material judgment matters.

Management Letter issued by the External Auditors for the year 2014 was received by the Committee. The Committee also reviewed the comments and undertakings by the Management with regard to recommendations made by External Auditors and actions taken by the management to implement the recommendations made.

Auditor independence is taken as an important governance requirement and is reviewed annually. The Audit Committee has determined that Messrs. Ernst & Young Chartered Accountants were independent on the basis that they did not carry out any management related functions of the Company.

The Committee reviewed the effectiveness of the external audit and recommended to the Board the re-appointment of Messrs. Ernst & Young Chartered Accountants as the external auditors of the Company for the ensuing financial year, subject to the approval of the shareholders.

The Audit Committee is satisfied with Expolanka accounting policies and Group operational controls provide reasonable assurance that affairs of the Group are managed in accordance with all regulatory and statutory requirements.

Sanjay Kulatunga
Chairman - Audit Committee

Independent Auditor's Report

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EXPOLANKA HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Expolanka Holdings PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2015, and the statement of profit or loss and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015 and of its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion, scope and limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company ,

- the financial statements of the Company give a true and fair view of its financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and

- the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

24 June 2015
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

A member firm of Ernst & Young Global Limited

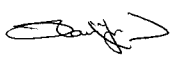
Statement of Financial Position

As at 31 March	Note	Group 2015 Rs.	Group Restated 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
ASSETS					
Non-current Assets					
Property, Plant and Equipment	3	3,376,244,302	3,666,387,194	44,064,097	67,575,741
Intangible Assets	4	566,515,697	468,128,945	-	-
Investments in Subsidiaries	5	-	-	3,882,688,265	3,983,370,778
Investment in an Associate and Joint Ventures	6	351,646,882	157,320,922	43,990,000	43,990,000
Other Financial Assets	7	284,669,214	521,744,718	249,141,345	208,683,146
Deferred Income Tax Assets	14	65,286,025	45,879,011	-	-
		4,644,362,120	4,859,460,790	4,219,883,707	4,303,619,665
Current Assets					
Inventories	8	176,995,040	766,833,231	-	-
Trade and Other Receivables	9	11,691,818,247	11,731,884,841	1,043,585,229	730,630,813
Prepayments		1,940,720,208	1,262,833,348	7,876,473	24,856,104
Other Financial Assets	7	540,585,203	733,546,867	929,629,340	1,077,718,440
Income Tax Recoverable		40,397,228	38,351,848	-	-
Cash and Cash Equivalents	10	2,957,659,752	2,473,838,926	700,806,876	285,828,961
		17,348,175,678	17,007,289,061	2,681,897,918	2,119,034,318
Total Assets		21,992,537,798	21,866,749,851	6,901,781,625	6,422,653,983
EQUITY AND LIABILITIES					
Stated Capital	11	4,097,985,000	4,097,985,000	4,097,985,000	4,097,985,000
Reserves	12	10,653,110	36,331,768	(12,346,510)	(36,075,380)
Retained Earnings		6,518,225,206	5,702,140,798	2,283,893,309	1,882,219,329
Equity Attributable to Equity Holders of Parent		10,626,863,316	9,836,457,566	6,369,531,799	5,944,128,949
Non-controlling Interest		990,957,260	928,940,755	-	-
Total Equity		11,617,820,576	10,765,398,321	6,369,531,799	5,944,128,949
Non-current Liabilities					
Financing and Lease (Ijara) Payables	13	526,886,593	1,177,647,991	441,090,712	392,255,482
Deferred Income Tax Liabilities	14	29,569,268	51,742,363	-	-
Retirement Benefit Obligation	15	347,921,828	266,499,361	14,062,518	12,589,155
		904,377,689	1,495,889,715	455,153,230	404,844,637
Current Liabilities					
Financing and Lease (Ijara) Payables	13	1,292,168,760	1,522,960,467	4,828,365	4,180,564
Trade and Other Payables	16	7,830,043,362	7,769,009,462	72,268,231	69,499,833
Income Tax Liabilities		348,127,411	313,491,886	-	-
		9,470,339,533	9,605,461,815	77,096,596	73,680,397
Total Equity and Liabilities		21,992,537,798	21,866,749,851	6,901,781,625	6,422,653,983
Net Assets per Share		5.44	5.03	3.26	3.04

These financial statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

Mushtaq Ahamed
Director - Group Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by,



Hanif Yusoof
Director

Osman Kassim
Director

The accounting policies and notes on pages 179 through 223 form an integral part of the financial statements.

24 June 2015
Colombo

Statement of Profit or Loss

Year ended 31 March	Note	Group 2015 Rs.	Group Restated 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Revenue	17	52,651,744,313	53,319,080,333	142,547,931	140,010,627
Cost of Sales		(44,134,636,204)	(44,861,033,605)	-	-
Gross Profit		8,517,108,109	8,458,046,728	142,547,931	140,010,627
Other Operating Income and Gains	18	477,458,505	996,992,641	678,576,935	1,197,866,064
Selling and Distribution Expenses		(614,995,663)	(643,448,922)	(8,366,080)	(8,170,427)
Administrative Expenses		(6,923,876,454)	(6,642,730,140)	(407,743,188)	(342,634,109)
Operating profit		1,455,694,497	2,168,860,307	405,015,597	987,072,155
Finance Costs	19	(153,953,247)	(266,872,996)	(2,178,230)	(2,996,032)
Share of Profit of an Associate and Joint Ventures (net of tax)	6	12,216,682	35,124,822	-	-
Profit Before Tax	20	1,313,957,932	1,937,112,133	402,837,367	984,076,123
Income Tax Expense	21	(266,475,125)	(366,990,970)	-	-
Profit for the Year		1,047,482,807	1,570,121,163	402,837,367	984,076,123
Attributable to:					
Owners of the Parent		885,785,600	1,426,005,898		
Non-controlling Interest		161,697,207	144,115,265		
		1,047,482,807	1,570,121,163		
Basic Earnings Per Share	22	0.453	0.729		
Dividend Per Share	22.3			-	0.33

The accounting policies and notes on pages 179 through 223 form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended 31 March	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Profit for the year	1,047,482,807	1,570,121,163	402,837,367	984,076,123
Other Comprehensive Income				
Other Comprehensive Income to be Reclassified to Income Statements in Subsequent Periods				
Net Exchange Differences on Translation of Foreign Operations	(56,419,311)	(25,813,785)	-	-
Net Gain/(Loss) on Available-for-sale Financial Assets	30,740,654	(15,819,247)	23,728,870	(15,819,247)
Other Comprehensive Income not to be Reclassified to Income Statements in Subsequent Periods				
Actuarial Gain/(Loss) on Defined Benefit Plans	(70,300,449)	14,560,869	(1,163,387)	(651,780)
Income Tax Effect	599,258	(364,132)	-	-
	(69,701,191)	14,196,737	(1,163,387)	(651,780)
Other Comprehensive Income for the Year, Net of Tax	(95,379,849)	(27,436,296)	22,565,483	(16,471,027)
Total Comprehensive Income for the Year, Net of Tax	952,102,958	1,542,684,867	425,402,850	967,605,096
Attributable to:				
Owners of the Parent	790,405,751	1,396,975,835		
Non-controlling Interest	161,697,207	145,709,032		
	952,102,958	1,542,684,867		

The accounting policies and notes on pages 179 through 223 form an integral part of the financial statements.

Statement of Changes in Equity

Group	Stated Capital Rs.	Available for sale Reserve Rs.	Foreign Currency Translation Reserve Rs.	Retained Earnings Rs.	Total Rs.	Non-controlling Interest Rs.	Total Equity Rs.
As at 01 April 2013	4,097,985,000	(24,926,370)	98,220,932	4,910,155,367	9,081,434,930	1,155,563,970	10,236,998,900
Profit for the Year	-	-	-	1,426,005,898	1,426,005,898	144,115,265	1,570,121,163
Other Comprehensive Income	-	(15,819,247)	(25,813,785)	14,196,736	(27,436,296)		(27,436,296)
Total Comprehensive Income	-	(15,819,247)	(25,813,785)	1,440,202,634	1,398,569,602	144,115,265	1,542,684,867
Interim Dividend Paid for 2013	-	-	-	(645,121,950)	(645,121,950)	(76,963,066)	(722,085,016)
Disposal of Subsidiaries	-	4,670,238	-	(4,670,238)	-	(314,425,744)	(314,425,744)
Amount Transferred due to Changes in Holdings	-	-	-	1,574,985	1,574,985	20,650,331	22,225,316
As at 31 March 2014 - Restated	4,097,985,000	(36,075,379)	72,407,147	5,702,140,798	9,836,457,566	928,940,755	10,765,398,321
Profit for the Year	-	-	-	885,785,600	885,785,600	161,697,207	1,047,482,806
Other Comprehensive Income	-	30,740,654	(56,419,311)	(69,701,191)	(95,379,849)	-	(95,379,849)
Total Comprehensive Income	-	30,740,654	(56,419,311)	816,084,409	790,405,751	161,697,207	952,102,957
Dividend	-	-	-	-	-	(38,848,402)	(38,848,402)
Disposal of Subsidiaries	-	-	-	-	-	(63,639,748)	(63,639,748)
Amount Transferred due to Changes in Holdings	-	-	-	-	-	2,807,448	2,807,448
As at 31 March 2015	4,097,985,000	(5,334,725)	15,987,835	6,518,225,207	10,626,863,316	990,957,260	11,617,820,576

Company	Stated Capital Rs.	Available for sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
As at 01 April 2013	4,097,985,000	(20,256,133)	1,543,916,936	5,621,645,803
Profit for the Year	-	-	984,076,123	984,076,123
Other Comprehensive Income	-	(15,819,247)	(651,780)	(16,471,027)
Total Comprehensive Income	-	(15,819,247)	983,424,343	967,605,096
Interim Dividend Paid for 2014	-	-	(645,121,950)	(645,121,950)
As at 31 March 2014	4,097,985,000	(36,075,380)	1,882,219,329	5,944,128,949
Profit for the Year	-	-	402,837,367	402,837,367
Other Comprehensive Income	-	23,728,870	(1,163,387)	22,565,483
Total Comprehensive Income	-	23,728,870	401,673,980	425,402,850
As at 31 March 2015	4,097,985,000	(12,346,510)	2,283,893,309	6,369,531,799

The accounting policies and notes on pages 179 through 223 form an integral part of the financial statements.

Statement of Cash Flows

Cash Flows From / (Used in) Operating Activities *Year ended 31 March*	Note	Group 2015 Rs.	Group Restated 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Profit before Income Tax Expenses		1,313,957,932	1,937,112,133	402,837,367	984,076,123
Adjustments for,					
Depreciation	3.1.2	458,082,221	348,342,867	21,976,411	24,217,228
Amortization	5.1.2	17,717,007	5,587,823	-	-
Income from Investments		(14,338,404)	(25,209,196)	(48,353,384)	(16,043,780)
Profit on Sale of Property, Plant and Equipment		(20,986,931)	(7,207,029)	(5,727,500)	-
Profit on Sale of Subsidiaries		(116,562,143)	(601,009,816)	(552,065,834)	(1,006,103,953)
Profit on Sale of Investments		(3,054,100)	-	(3,054,100)	-
Finance Cost		153,953,247	266,872,996	2,178,230	2,996,032
Profit Share of Investment in Associates	7.2	(12,216,682)	(35,124,822)	-	-
Change in the Value of Investments		18,056,201	(61,955,361)	18,056,201	(61,955,361)
Provision for Bad and Doubtful Debtors		58,974,735	86,435,411	-	-
Provision for Impairment of Goodwill		-	26,058,281	-	-
Provision for Defined Benefit Plans		81,919,990	61,454,894	3,501,351	3,064,185
Operating Profit / (Loss) before Working Capital Changes		1,935,503,073	2,001,358,182	(160,651,258)	(69,749,527)
(Increase)/Decrease in Inventories		123,152,552	388,380,917	-	-
(Increase)/Decrease in Trade and Other Receivables		(1,494,330,948)	(358,817,886)	(328,267,376)	182,817,702
(Increase)/Decrease in Prepayments		(717,579,091)	(217,851,992)	16,979,631	2,053,944
Increase/ (Decrease) in Trade and Other Payables		962,304,167	(815,347,426)	2,768,398	11,896,584
Net change in working capital due to Group Structure Change		2,807,448	22,225,315	-	-
Cash Generated from Operations		811,857,202	1,019,947,109	(469,170,605)	127,018,703
Finance Cost paid		(153,953,247)	(266,872,996)	(2,178,230)	(2,996,032)
Income Tax Paid		(302,498,587)	(344,190,946)	-	-
Defined Benefit Plan Costs Paid		(35,741,630)	(35,410,410)	(3,191,375)	(1,048,846)
Net Cash From / (Used in) Operating Activities		319,663,737	373,472,757	(474,540,210)	122,973,825
Cash Flows From / (Used in) Investing Activities					
Investment Income Received		14,338,404	25,209,196	38,330,942	13,649,816
Acquisition of Property, Plant and Equipment	3.1.4	(479,410,062)	(689,188,136)	(4,837,004)	(20,072,720)
Acquisition of Intangible Assets		(116,103,759)	-	-	-
Proceeds from Sale of Property, Plant and Equipment		78,179,020	114,753,643	12,099,736	137,243
Net Other Current Investments		192,961,664	158,287,020	130,032,899	(443,432,899)
Net Other Non Current Investments		(31,137,911)	(264,500,874)	(13,675,228)	-
Investment Made in Subsidiaries		-	-	(61,916,250)	(10,000,000)
Proceeds from Sale of Subsidiaries		740,000,000	1,072,768,667	740,000,000	1,222,465,438
Net Cash Flows Used in Investing Activities		398,827,355	417,329,515	840,035,095	762,746,879
Cash Flows From / (Used in) Financing Activities					
Net Proceeds From Financing and Lease (Ijara)		(916,363,262)	285,358,585	(4,180,564)	10,485,096
Dividends Paid to Minority Share holders		(38,848,402)	(76,963,066)	-	-
Dividends Paid to Parent Company Share Holders		-	(645,121,950)	-	(645,121,950)
Dividend received from Associate		14,458,523	6,209,291	-	-
Net Cash Flows From / (Used in) Financing Activities		(940,753,140)	(430,517,141)	(4,180,564)	(634,636,854)
Effect of Exchange Rate Changes		(45,462,321)	(20,174,800)	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents		(267,724,370)	340,110,332	361,314,320	251,083,849
Cash and Cash Equivalents at the Beginning of the Year	10	1,736,122,870	1,396,012,538	(95,538,656)	(346,622,505)
Cash and Cash Equivalents at the End of the Year	10	1,468,398,500	1,736,122,870	265,775,664	(95,538,656)

The accounting policies and notes on pages 179 through 223 form an integral part of the financial statements.

Notes to the Financial Statements

Year ended 31 March 2015

1. CORPORATE INFORMATION

1.1 General

Expolanka Holdings PLC is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 10, Mile Post Avenue, Colombo 03 and the principal place of business is situated at No. 15 A, Clifford Avenue, Colombo 03.

Ordinary shares of the company are listed on the Colombo Stock Exchange.

The financial statements for the year ended 31 March 2015, comprises "the Company" referring to Expolanka Holdings PLC as the holding company and "the Group" referring to the companies whose accounts have been consolidated therein.

1.2 Principal Activities and Nature of Operations

Holding Company

Expolanka Holdings PLC, the group's holding company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Expolanka group and provides management and administration services to its subsidiaries and related companies.

Subsidiaries, Joint Ventures and Associates

The Subsidiaries, Joint Ventures and Associates of the Group were engaged in the business of Freight and Logistics, Travel and Leisure, International Trading and Manufacturing and Investments and Services.

There were no significant changes in the nature of principal activities of the Company and the Group during the financial year under review.

1.3 Parent and Ultimate Parent Entity

The Company's parent entity is SG Holdings Global Pte Ltd, which is incorporated in Singpore.

1.4 Date of Authorisation for Issue

The Financial Statements for the year ended 31 March 2015 were authorized for issue by the Board of Directors on 25 June 2015.

2. ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

The Financial Statements which of comprises the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with accounting policies and notes have been prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007.

2.2 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis and historical cost convention except for derivative financial instruments, fair value through profit or loss financial assets and available-for-sale financial assets that have been measured at fair value.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted by the Group are consistent with those used in the previous year except for the following SLFRSs with effect from current year.

- Consolidated Financial Statements (SLFRS 10)
- Joint Arrangements (SLFRS 11)
- Disclosure of Interests in Other Entities (SLFRS 12)
- Fair Value Measurement (SLFRS 13)

Consolidated Financial Statements (SLFRS 10)

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. SLFRS 10 replaces the parts of previously existing LKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. SLFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in SLFRS 10, all three criteria must be met, they include:

(a) an investor has power over an investee;
(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

SLFRS 10 has had no impact on the consolidation of investments held by the Group.

Joint Arrangements (SLFRS 11)

SLFRS 11 replaces LKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by venturers. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead,

JCEs that meet the definition of a joint venture under SLFRS 11 must be accounted for using the equity method. The application of this new standard impacts the financial position of the Group by replacing proportionate consolidation of the joint ventures with the equity method of accounting. SLFRS 11 is effective for annual periods beginning on or after 01 January 2014. The effect of SLFRS 11 is described in more detail in Note 6 which includes quantification of the effect on the financial statements.

Disclosure of Interests in Other Entities (SLFRS 12)
SLFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable to the interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are disclosed. Accordingly, the Group has not made any such disclosures.

Fair Value Measurement (SLFRS 13)
SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The application of SLFRS 13 has not materially impacted the fair value measurements carried out by the Group.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The following subsidiaries have been incorporated in Sri Lanka.

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Name of the Company	Holding Percentage 2015	2014
Bio Extracts (Private) Limited	-	100%
Classic Travel (Private) Limited	100%	100%
Expo Consolidators (Private) Limited	100%	100%
Expolanka (Private) Limited	100%	100%
Expolanka Freight (Private) Limited	100%	100%
Expolanka International (Private) Limited	100%	100%
Expolanka Pharmaceuticals (Private) Limited	-	100%
Expolanka Plantations (Private) Limited	-	90%
Expolanka Teas (Private) Limited	-	90%
Freight Care (Private) Limited	100%	100%
Globe Air (Private) Limited	100%	100%
International Airline Sevices (Private) Limited	100%	100%
Logistics Support Services (Private) Limited	100%	100%
Neptune Holdings (Private) Limited	-	90%
Neptune Papers (Private) Limited	100%	100%
Peri Logistics (Private) Limited	100%	100%
SG Logistics (Private) Limited	100%	100%
Sky Care (Private) Limited	100%	100%
UCL Logistics (Private) Limited	100%	100%
Tropical Green (Private) Limited	100%	100%
Classic Vacation (Private) Limited	100%	100%
Aquasun Lanka (Private) Limited	100%	100%
Pulsar Shipping Agencies (Private) Limited	100%	100%
Travel Express (Private) Limited	100%	100%
Saffron Catering (Private) Limited	-	100%
Castle Commercial (Private) Limited	-	90%
World Spices and Teas (Private) Limited	-	86%
Amoha (Private) Limited	60%	60%
Global Logistics (Private) Limited	60%	60%
Norfolk Foods (Private) Limited	50%	50%
Logistics Park (Private) Limited	100%	100%
Pulsar Freight (Private) Limited	100%	100%
Alpha Aviation (Private) Limited	60%	60%
Alpha Air Solutions (Private) Limited	55%	55%
Sunpower Travels (Private) Limited	100%	100%
Pulsar Marine Services (Private) Limited	100%	100%
Bongo (Private) Limited	100%	-
Travel Bridge (Private) Limited	100%	-

The following companies, with equity control less than 50 percent, have been consolidated as subsidiaries based on the power to govern the financial and operating policies of those entities.

	Holding Percentage 2015	2014
Expolanka Bangladesh Limited	45%	45%
Air Sea Logistics Kenya	45%	45%

The following subsidiaries have been incorporated outside Sri Lanka.

Name	Country of Incorporation	Functional Currency	Holding Percentage 2015	2014
Airline Cargo Resources Dubai- FZCO	Dubai	AED	100%	100%
Airline Cargo Resources Dubai LLC	Dubai	AED	100%	100%
Expo Freight India Holdings (Private) Limited	India	INR	90%	90%
Expolanka Bangladesh Limited	Bangladesh	BDT	45%	45%
Expolanka Freight (Proprietary) Limited	South Africa	ZAR	100%	100%
Expolanka Freight FZCO	Dubai	AED	100%	100%
Expolanka Freight Dubai LLC (Dubai/Jebel Ali/Abu Dhabi - United Arab Emirates)	Dubai	AED	100%	100%
Expolanka Freight Limited	Kenya	KES	100%	100%
Expolanka Freight Limited	Mauritius	MUR	100%	100%
Expolanka Madagascar SA	Madagascar	MGA	100%	100%
Expolanka Pakistan (Private) Limited	Pakistan	PKR	51%	51%
International Sky Services (India) Private Limited	India	INR	70%	70%
Expolanka Freight Vietnam	Vietnam	VND	51%	51%
PT Expo Unipara	Indonesia	USD	90%	90%
Expolanka Freight Limited	Philippines	PHP	100%	100%
Classic Travels Maldives Pvt Ltd	Maldives	MVR	49%	49%
EFL Global Logistics	Singapore	USD	100%	100%
Expolanka USA LLC	USA	USD	70%	70%
Expo Freight (Hong Kong) Ltd	Hong Kong	HKD	100%	100%
Expo Freight (Shanghai) Ltd	China	CNY	75%	75%
Akquasun Holidays India pvt Ltd	India	INR	50%	50%
AVS Cargo Management Services Pvt Ltd	India	INR	46%	46%
Air Sea Logistics	Kenya	KES	45%	45%
UCL Logistics Ltd	Bangladesh	BDT	45%	-
Masco International Ltd	Bangladesh	BDT	45%	-
Expofreight (Shenzhen) Limited	China	CNY	100%	-

2.5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial, unless otherwise indicated.

Accounting policies of subsidiaries and equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5.1 Business combinations and goodwill

Business Combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion the cash-generating unit retained.

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading "Non- controlling Interest".

2.5.2 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's

share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint ventures of the Group are;

Name	Country of Incorporation	Holding Percentage 2015	Holding Percentage 2014
Airline Cargo Resources Limited	Bangladesh	50%	50%
Airline Services Limited	Bangladesh	50%	50%
Cross Freight Lines Limited	Bangladesh	50%	50%
Freight Care Aviation Limited	Bangladesh	50%	50%
Wings Classic Tours & Travels Limited	Bangladesh	50%	50%
Expo Global Distribution Centre (Private) Limited	Sri Lanka	50%	-

Associate of the Group is;

	Holding Percentage 2015	Holding Percentage 2014
Amana Takaful Maldives PLC	22.73%	22.73%

2.5.3 Foreign Currency Translations

The Group's consolidated financial statements are presented in Sri Lankan rupees, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

Group Companies

The assets and liabilities of foreign operations are translated into Sri Lankan Rupee at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.5.4 Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in Statement of Other Comprehensive Income are also recognized in Statement of Other Comprehensive Income and not in the Income Statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits

- and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable

profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Sales Tax
Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Tax on Dividend
Tax on dividend income from subsidiaries are recognized as an expense in the Consolidated Income Statement.

2.5.5 Property, Plant and Equipment

Basis of Measurement
Property, Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgments, estimates and assumptions and Provisions for further information about the recorded decommissioning Provision.

The carrying value of property, plant and equipments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation
Depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets;

Freehold Buildings	2.5% - 10%
Plant and Machinery	12.5% - 33.33%
Furniture and Fittings	5% - 25%
Technological Equipment	25%
Office and Factory Equipments	10% - 33.33%
Computer and Accessories	20% - 33.33%
Motor Vehicles	20%
Leased Assets	25%
Tools and Equipment	25% - 33.33%
Leased Improvements	20%
Rail Carriage	33.33%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from

its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.5.6 Leases – (Ijara Payables)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a Lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.5.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.5.8 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful life of intangible asset is assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

The useful life of intangible asset is as follows;

Software	Over 4 Years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognized.

2.5.9 Financial Instruments – Initial Recognition and Subsequent Measurement

i) Financial Assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

c) Held-to-maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Group did not have any held to maturity investments during the years ended 31 March 2015.

d) Available-for-sale Financial Investments

Available-for-sale financial investments include equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Quoted available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the income statement in finance costs.

After initial recognition unquoted equity instrument that do not have a quoted market price in and active market and whose fair value cannot be reliability measured are carried at cost.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset or a part of a financial asset or part of a group of similar financial assets is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

(a) The Group has transferred substantially all the risks and rewards of the asset, or

(b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses

them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale Financial Investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement;

Increases in their fair value after impairment are recognised directly in other comprehensive income.

iii) Financial Liabilities
Initial Recognition and Measurement
Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent Measurement
The measurement of financial liabilities depends on their classification as described below:

Financial Liabilities at Fair Value through Profit or Loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and Borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement

when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Financial Guarantee Contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

iv) Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

v) Fair Value of Financial Instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments that do not have a quoted market price in and active market and whose fair value cannot be reliability measured are carried at cost.

2.5.10 Inventories
Inventories are valued at the lower of cost and net realisable value except commodity broker – traders. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

a) Raw Materials:
- Purchase cost on a first in, first out basis

b) Finished Goods and Work in Progress:
- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

c) Inventories of Commodity Broker – trade
- Inventories are measured at fair value less cost to sell

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.5.11 Cash and Cash Equivalents
Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdraft.

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2.5.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

2.5.13. Retirement Benefit Obligations

a) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations in Sri Lanka. The Company contributes 12 percent and 3 percent of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

b) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 15. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The Group's accounting policy for defined benefit plans is to recognise actuarial gains and losses in the period in which they occur in full in other comprehensive income in accordance with LKAS 19.

The gratuity liability is not funded.

2.5.14. Impairment of Non- Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset or cash-generating unit, unless the asset or cash-generating unit does not generate cash inflows that are largely independent of those from other assets or cash-generating units. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot ''exceed" the carrying amount that

would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to Goodwill cannot be reversed in future periods.

Intangible Assets
Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level, as appropriate.

2.5.15 Income Statement

Revenue Recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

a) Sale of Goods
Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to buyer with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

b) Rendering of Services
Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

c) Interest Income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

d) Dividends
Dividend income is recognized on a cash basis (net of dividend tax) when the shareholder's right to receive payment is established'.

e) Gains and Losses
Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non-current assets including investments are accounted for in the income statement, after deducting from proceeds on disposal, the carrying amount of the assets and related selling expenses. On the disposal of revalued Property, Plant and Equipment, the amount remaining in the Revaluation Reserve, relating to that particular asset is transferred directly to Retained Earnings.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

f) Other Income
Other income is recognized on an accrual basis.

2.5.16 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the senior management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the senior management and board of directors include items directly

attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES & ASSUMPTIONS

The preparation of the financial statements of the group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets , liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

b) Defined Benefit Plans

The cost of the retirement benefit plan of employees is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increase, special premium, retirement age and going concern of the Company. Due to the long term nature of the plan, such estimates are subject to significant uncertainty.

c) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

d) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.7 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.8 FAIR VALUE MEASUREMENT

The Group measures financial instruments and certain nonfinancial assets at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

Quantitative disclosures of fair value measurement hierarchy	Note 7
Investment in unquoted equity shares	Note 7
Financial instruments (including those carried at amortised cost)	Note 7.4

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.8 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

SLFRS 9-Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01 January 2015.However effective date has been deferred subsequently.

SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2017.

Pending the detailed review on the above standards and interpretations, the extent of the impact has not been determined by the Management.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 GROUP

	Freehold Land	Freehold Buildings	Rail Carriage	Plant and Machinery Freehold	Plant and Machinery Leasehold	Furniture and Fittings	Office and Factory Equipment
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3.1.1 Cost							
As at 01 April 2014 - Restated	1,242,526,748	270,568,615	56,914,728	380,583,188	150,253,401	444,372,358	214,966,290
Additions	-	470,513	4,116,000	107,447,820	6,343,279	76,116,058	28,135,350
Disposal of Subsidiary	(44,900,000)	(30,234,668)	-	(129,285,161)	(35,482,547)	(11,731,688)	(24,381,970)
Disposals	-	-	(4,750,994)	(13,930,535)	(5,321,237)	(36,339,128)	(10,077,071)
Transfers from / to others	-	648,652,007	-	3,159,209	-	44,166,725	97,972,231
Exchange translation difference	(5,076,129)	-	-	672,993	-	(3,557,308)	(3,351,660)
As at 31 March 2015	1,192,550,619	889,456,467	56,279,734	348,647,514	115,792,897	513,027,017	303,263,170
3.1.2 Accumulated Depreciation							
As at 01 April 2014 - Restated	-	39,381,791	36,458,599	165,230,216	26,172,134	197,856,566	108,551,224
Charge for the year	-	39,208,251	16,818,193	29,768,761	13,088,389	55,188,841	40,285,448
Disposal of Subsidiary	-	(5,221,511)	-	(45,157,179)	(11,012,547)	(5,849,249)	(12,668,769)
Disposal	-	-	(4,719,708)	(9,717,394)	(3,125,092)	(24,901,234)	(6,495,579)
Exchange translation difference	-	-	-	46,924	-	(2,266,539)	(1,869,321)
As at 31 March 2015	-	73,368,531	48,557,084	140,171,328	25,122,885	220,028,385	127,803,003
3.1.3 Carrying Value							
As at 31 March 2015	1,192,550,619	816,087,936	7,722,650	208,476,186	90,670,012	292,998,632	175,460,167
As at 01 April 2014 - Restated	1,242,526,748	231,186,824	20,456,129	215,352,972	124,081,266	246,515,792	106,415,067

3.1.4 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 493,057,914/- (2014 - Rs. 747,703,941/-). Cash payments amounting to Rs. 479,410,062/- (2014 - Rs. 689,188,136/-) were made during the year ended for purchase of Property, Plant and Equipment.

Technological Equipment	Computer and Accessories	Motor Vehicle		Tools and Equipment	Other Assets	Leasehold Improvements	Capital work in progress	Total
Rs.	Rs.	Freehold Rs.	Leasehold Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
168,722,084	461,863,115	391,319,190	250,046,043	33,247,391	23,947,320	164,154,752	798,781,994	5,052,267,218
16,003,921	26,148,556	54,497,400	7,304,572	17,935,580	1,720,959	954,478	145,863,427	493,057,914
(15,638,433)	(3,330,094)	(28,679,890)	(21,660,865)	(16,508,339)	(4,239,695)	(46,038,195)	(404,699)	(412,516,243)
(11,747,489)	(31,683,166)	(68,613,650)	(32,328,402)	(10,988,420)	-	-	-	(225,780,091)
-	-	-	-	-	44,100,182	-	(838,050,352)	-
(439,232)	(4,817,338)	(4,913,226)	456,247	-	67,083	13,226	-	(20,945,345)
156,900,852	448,181,073	343,609,823	203,817,594	23,686,213	65,595,848	119,084,261	106,190,370	4,886,083,452
112,644,093	333,483,909	212,711,438	91,787,626	15,361,469	2,452,264	43,788,695	-	1,385,880,023
31,056,136	66,669,401	100,074,766	42,739,577	3,052,337	8,099,607	12,032,514	-	458,082,221
(13,133,380)	(3,330,094)	(18,469,034)	(14,657,427)	(10,305,013)	(57,292)	(16,077,284)	-	(155,938,779)
(9,221,511)	(29,889,718)	(53,144,135)	(23,734,748)	(3,638,884)	-	-	-	(168,588,003)
(152,835)	(4,105,293)	(1,383,271)	115,841	-	5,084	13,099	-	(9,596,312)
121,192,503	362,828,204	239,789,763	96,250,869	4,469,909	10,499,663	39,757,024	-	1,509,839,150
35,708,349	85,352,869	103,820,060	107,566,725	19,216,303	55,096,186	79,327,237	106,190,370	3,376,244,302
56,077,991	128,379,206	178,607,752	158,258,417	17,885,922	21,495,056	120,366,057	798,781,994	3,666,387,194

3. PROPERTY, PLANT AND EQUIPMENT

3.2 COMPANY

	Motor Vehicles Freehold Rs.	Motor Vehicles Leasehold Rs.	Office Equipment Rs.	Technological Equipment Rs.	Furniture and Fittings Rs.	Computer and Accessories Rs.	Leasehold Improvements Rs.	Total Rs.
3.2.1 Cost								
As at 01 April 2014	28,812,102	22,220,947	8,061,770	55,588,763	12,468,424	10,036,326	21,824,069	159,012,401
Additions	-	-	388,000	4,449,004	-	-	-	4,837,004
Disposals	(18,027,117)	(2,760,000)	(181,447)	(4,932,655)	-	-	-	(25,901,220)
As at 31 March 2015	10,784,985	19,460,947	8,268,323	55,105,112	12,468,424	10,036,326	21,824,069	137,948,185
3.2.2 Accumulated Depreciation								
As at 01 April 2014	15,644,040	6,106,774	4,538,740	40,791,921	4,908,837	4,958,612	14,487,736	91,436,660
Charge for the year	4,259,742	3,279,689	813,698	6,659,752	1,547,947	1,064,528	4,351,054	21,976,411
Disposal	(11,980,679)	(2,760,000)	(188,578)	(4,599,725)	-	-	-	(19,528,982)
As at 31 March 2015	7,923,103	6,626,464	5,163,859	42,851,949	6,456,784	6,023,140	18,838,790	93,884,089
3.2.3 Carrying Value								
As at 31 March 2015	**2,861,882**	**12,834,483**	**3,104,464**	**12,253,163**	**6,011,640**	**4,013,186**	**2,985,279**	**44,064,097**
As at 01 April 2014	13,168,062	16,114,173	3,523,031	14,796,842	7,559,587	5,077,714	7,336,333	67,575,741

3.2.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.4,837,004/- (2014- Rs. 20,072,720/-). Cash payment amounting to Rs.4,837,004/- (2014- Rs. 5,861,773/-) were made during the year ended for purchase of Property, Plant and Equipment .

4. INTANGIBLE ASSETS

	Computer Software Rs.	Goodwill Rs.	2015 Rs.	Computer Software Rs.	Goodwill Rs.	2014 Rs.
4.1 GROUP						
Cost						
As at 1 April	55,075,695	483,518,614	538,594,308	55,075,695	492,488,726	547,564,421
Additions/Transfers	116,103,759	-	116,103,759	-	(8,970,112)	(8,970,112)
As at 31 March	171,179,454	483,518,614	654,698,067	55,075,695	483,518,614	538,594,308
Amortisation						
As at 1 April	44,407,082	26,058,281	70,465,363	38,819,259	-	38,819,259
Amortisation/Impairement during the year	17,717,007	-	17,717,007	5,587,823	26,058,281	31,646,105
As at 1 April	62,124,089	26,058,281	88,182,370	44,407,082	26,058,281	70,465,363
Carrying Value						
As at 31 March 2015						566,515,697
As at 01 April 2014						468,128,945

4.1.1 Goodwill

Goodwill acquired through business combinations have been allocated to cash generating units (CGU's) for impairment testing as follows;

	2015 Rs.	2014 Rs.
Norfolk Foods (Private) Limited	133,793,673	133,793,673
Expolanka Freight (Vietnam) Limited	33,262,114	33,262,114
Expolanka Freight Limited - Pakistan	8,650,047	8,650,047
Expolanka (Phillphine) inc.	3,215,500	3,215,500
Akquasun Holidays India pvt Ltd	136,456,123	136,456,123
EFL Global Logistics	134,335,565	134,335,565
Classic Travels Maldives (Private) Limited	7,747,312	7,747,312
	457,460,333	457,460,333

The recoverable amount of all CGUs have been determined based on the fair value less cost to sell or the value in use (VIU) calculation.

Key assumptions used in the VIU calculations

Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 0 percent growth rate.

4.2 COMPANY

Computer Software	2015 Rs.	2014 Rs.
Cost		
As at 1 April	33,453,426	33,453,426
Retired/Transferred during the year	-	-
As at 31 March	33,453,426	33,453,426
Amortisation		
As at 1 April	33,453,426	33,453,426
Amortisation during the year	-	-
As at 1 April	33,453,426	33,453,426
Net Book Value	-	-

5. INVESTMENTS IN SUBSIDIARIES

	2015		2014	
	Holding %	Rs.	Holding %	Rs.
5.1 COMPANY				
Non - Quoted				
SG Logistics (Private) Limited	100	79,105,042	100	79,105,042
Bio Extracts (Private) Limited	-	-	100	16,250,050
Classic Travel (Private) Limited	100	25,597,538	100	25,597,538
Expolanka International (Private) Limited	100	1,924,090,988	100	1,924,090,988
Expolanka Freight (Private) Limited	100	292,098,014	100	292,098,014
Expolanka (Private) Limited	100	371,111,561	100	371,111,561
Expolanka Pharmaceuticals (Private) Limited	-	-	100	407,668
Expolanka Plantations (Private) Limited	-	-	90	37,232,918
Expolanka Teas (Private) Limited	-	-	90	87,844,407
Freight Care (Private) Limited	100	4,423,590	100	4,423,590
Globe Air (Private) Limited	100	17,214,477	100	17,214,477
International Airline Services (Private) Limited	100	10,027,726	100	10,027,726
Neptune Holdings (Private) Limited	-	-	90	5,788,580
Neptune Papers (Private) Limited	100	70,671,636	100	70,671,636
Skycare (Private) Limited	100	1,679,053	100	1,679,053
UCL Logistics (Private) Limited	100	17,631,222	100	17,631,222
Expo Consolidators (Private) Limited	100	1,173,555	100	1,173,555
Peri Logistics (Private) Limited	60	10,000,000	60	10,000,000
Logistic Support Service (Private) Limited	100	260,000	100	260,000
Tropical Green (Private) Limited	100	1,000,050	100	1,000,050
Classic Vacation (Private) Limited	100	30	100	30
Castle Commercial (Private) Limited	-	-	90	90
World Spices Teas (Private) Limited	-	-	90	50
Nofolk foods (Private) Limited	50	300,000,000	50	300,000,000
Saffron Foods (Private) Limited	-	-	100	15,075,000
Logistics Park (Private) Limited	100	500,000,000	100	500,000,000
EFL Global Logistics (PTE) Ltd	100	136,051,250	100	74,135,000
Akquasun Holidays (India) Pvt Ltd	50	120,552,533	50	120,552,533
Total Carrying Value of Investments in Subsidiaries		3,882,688,265		3,983,370,778

6. INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE

	Group		Company	
		Restated		
	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.
Carrying Value				
Cost	302,477,113	105,977,113	43,990,000	43,990,000
Share of post acquisition Profit	23,787,521	25,961,562	-	-
Share of Capital Reserve	25,382,248	25,382,248	-	-
	351,646,882	157,320,922	43,990,000	43,990,000

6.1 Share of Balance Sheet

Total Assets	800,426,169	511,996,347
Current liabilities	(334,395,025)	(368,632,914)
Net Assets	466,031,144	143,363,432
Share of Capital Reserve	25,382,248	25,382,248
Net Carrying Value of the Investments	491,413,392	168,745,680
Fair value of Goodwill	(6,084,583)	(6,084,583)
Exchange Flcutuation	(10,975,587)	(5,340,175)
Net Assets	351,646,882	157,320,922

6.2 Share of the Revenue and Profit/(Loss)

Revenue	1,024,625,935	1,185,624,109
Profit/(Loss) before Income Tax	21,437,404	50,866,602
Income Tax	(9,220,722)	(15,741,780)
Profit/(Loss) after Income Tax	12,216,682	35,124,822
Dividend	(14,458,523)	(6,209,291)
	(2,241,841)	28,915,531

6.3 Impact of adoption of SLFRS 10 and 11

Under LKAS 31 Investment in Joint Ventures (prior to the adoption of SLFRS 11), the Group's interest was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the financial statements.

These jointly controlled entities were namely Wings Classic Tours & Travels Ltd, Freight Care Aviation Services Ltd, Airline Cargo Resources Ltd, cross Freight Lines Ltd & Airline Service Limited. Upon adoption of SLFRS 11, the Group has consolidated its interests in these entities using the equity method as required and accordingly the comparatives have been restated.

The effect of adopting SLFRS 11 to the comparative year is given below;

Impact on the Statement of Profit or Loss	2014 Rs.
Decrease in the reported revenue	(1,060,201,927)
Decrease in the cost of sales	990,049,275
Decrease in gross profit	(70,152,652)
Decrease in other income	(21,283,847)
Decrease in administration expense	50,265,175
Decrease in Selling and distribution expense	2,887,876
Decrease in earnings before interest and tax	(38,283,447)
Decrease in finance cost	1,527,462
Increase in share of profits on joint venture	22,972,490
Decrease in profit before tax	(13,783,495)
Decrease in income tax expense	13,783,495
Net impact on profit after tax	-
Impact on the statement of financial position	
Increase in net investment in joint venture	61,957,113
Decrease in inventories and trade & other receivables	(326,276,639)
Decrease in property, plant and equipment	(32,712,766)
Decrease in trade and other payable	297,032,292
Net impact on equity	-

7. OTHER FINANCIAL ASSETS

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Financial instruments at fair value through profit or loss				
Investments in Equity Securities (7.1)	451,440,400	469,495,101	451,405,030	469,461,231
	451,440,400	469,495,101	451,405,030	469,461,231
Available-for-sale investments				
Investments in Securities (7.2)	166,024,863	447,921,566	130,496,994	134,859,994
Investments in Equity Securities (7.3)	118,644,351	73,823,152	118,644,351	73,823,152
	284,669,214	521,744,718	249,141,345	208,683,146
Loans and receivables				
Investments in Fixed / Savings Deposits - Mudarabha	89,144,803	264,051,766	478,224,310	608,257,209
	89,144,803	264,051,766	478,224,310	608,257,209
Total current	540,585,203	733,546,867	929,629,340	1,077,718,440
Total non-current	284,669,214	521,744,718	249,141,345	208,683,146

Available-for-sale investments

Quoted

The Group has investments in listed equity securities. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

Non-quoted

For financial instruments that do not have a quoted market price in and active market and whose fair value cannot be reliably measured are carried at cost.

Impairment on available-for-sale investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is ' significant' or 'prolonged' requires judgement.

In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

7.1 Investments in Equity Securities - Current

	2015		2014	
	No. of Shares	Rs.	No. of Shares	Rs.
GROUP				
Amana Bank PLC	90,281,006	451,405,030	90,281,006	469,461,231
Bairaha Farms PLC	100	10,840	100	14,720
Cargills Ceylon PLC	100	13,700	100	13,650
Keells Foods PLC	100	10,830	100	5,500
Total Investments in Quoted Equity Securities		451,440,400		469,495,101
COMPANY				
Amana Bank PLC	90,281,006	451,405,030	90,281,006	469,461,231
		451,405,030		469,461,231

7.2 Investments in Securities

	2015 Rs.	2014 Rs.
GROUP		
Lanka Commodity Brokers (Private) Limited	-	88,512,060
Amana Investment Limited	-	4,363,000
SLFFA Cargo Services Limited	717,921	717,921
Expo Global Distribution Centre (EGDC) - Singapore	12,795,832	12,579,091
Envoy Textile Bangladesh	22,014,116	14,752,500
Asia Pacific Institution of Information Technology Lanka (Private) Limited	130,496,994	130,496,994
Expo Global Distribution Centre (Private) Limited	-	196,500,000
Total Investments in Non Quoted Equity Securities	166,024,863	447,921,566
Current	-	-
Non-current	166,024,863	447,921,566
	166,024,863	447,921,566
COMPANY		
Amana Investment Limited	-	4,363,000
Asia Pacific Institution of Information Technology Lanka (Private) Limited	130,496,994	130,496,994
	130,496,994	134,859,994
Current	-	-
Non-current	130,496,994	134,859,994
	130,496,994	134,859,994

7.3 Investments in Equity Securities

	2015		2014	
GROUP	No. of Shares	Rs.	No. of Shares	Rs.
Amana Takaful PLC	79,096,234	118,644,351	52,730,823	73,823,152
		118,644,351		73,823,152

	2015		2014	
COMPANY				
Investments in Equity Securities	Carrying No. of Shares	Market Rs.	Carrying No. of Shares	Market Rs.
Amana Takaful PLC	79,096,234	118,644,351	52,730,823	73,823,152
		118,644,351		73,823,152

7.4 Fair value Measurement

Set out below is a comparison by class of the carrying amounts and fair values of the Group that are carried in the financial statements.

	Carrying amount		Fair value	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Financial assets				
Trade and other receivables	11,691,818,247	11,731,884,841	11,691,818,247	11,731,884,841
Other financial assets				
Financial instruments at fair value through profit or loss	451,440,400	469,495,101	451,440,400	469,495,101
Loans and other receivables	89,144,803	264,051,766	89,144,803	264,051,766
Available-for-sale investments	284,669,214	521,744,718	284,669,214	521,744,718
Cash and short-term deposits	2,957,659,752	2,473,838,926	2,957,659,752	2,473,838,926
Total	15,474,732,416	15,142,793,659	15,474,732,416	15,142,793,659

The Management assessed that the fair value of cash and short-term deposits, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

As at 31 March 2015, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value	As at 31 March 2015 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets at fair value through profit or loss	451,440,400	451,440,400	-	-
Available-for-sale financial assets Equity shares	118,644,351	118,644,351	-	-

During the reporting period ending 31 March 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

After initial recognition unquoted equity instrument that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. Accordingly equity investments in SLFFA Cargo Services Limited, Expo Global Distribution Centre (EGDC) - Singapore, Envoy Textile Bangladesh and Asia Pacific Institution of Information Technology Lanka (Private) Limited are carried at cost.

As at 31 March 2014, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	As at 31 March 2014 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets at fair value through profit or loss	469,495,101	469,495,101	-	-
Available-for-sale financial assets Equity shares	73,823,152	73,823,152	-	-

During the reporting period ending 31 March 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

After initial recognition unquoted equity instrument that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

8. INVENTORIES

Group	2015 Rs.	Restated 2014 Rs.
Raw Materials	20,997,355	336,182,973
Packing Materials	44,676,870	149,018,669
Work in Progress	1,059,583	433,454
Finished Goods	102,978,756	181,173,581
Consumables	5,159,279	19,344,816
Stationeries	2,123,198	1,231,719
Goods in Transit	-	79,448,020
	176,995,040	766,833,231

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 Rs.	Restated 2014 Rs.	2015 Rs.	2014 Rs.
Trade Debtors	11,340,997,191	11,265,611,981	-	-
Less: Provision for Doubtful Debts	(205,055,875)	(205,484,537)	-	-
	11,135,941,316	11,060,127,445	-	-
Other Debtors	555,876,931	668,081,412	7,729,530	6,826,263
Amounts Due from Related Parties (9.1)	-	3,675,984	1,035,855,699	723,804,551
	11,691,818,247	11,731,884,841	1,043,585,229	730,630,813

9.1 Amounts Due from Related Parties

	Relationship	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Bio Extracts (Private) Limited	Subsidiary	-	-	-	85,406,809
Expo Consolidators (Private) Limited	Subsidiary	-	-	79,138,184	86,138,184
Expolanka Freight (Private) Limited	Subsidiary	-	-	38,248,257	-
Expolanka (Private) Limited	Subsidiary	-	-	429,994,218	159,048,479
Expolanka Plantations (Private) Limited	Subsidiary	-	-	-	7,072,410
Expolanka Teas (Private) Limited	Subsidiary	-	-	-	32,444,012
Freight care (Private) Limited	Subsidiary	-	-	3,511,403	3,000,000
Neptune Holdings (Private) Limited	Subsidiary	-	-	-	8,557,400
Neptune Papers (Private) Limited	Subsidiary	-	-	30,118,861	41,984,761
Classic Travel (Private) Limited	Subsidiary	-	-	96,388,074	73,168,328
Expolanka International (Private) Limited	Subsidiary	-	-	99,461,473	144,784,623
International Airlines (Private) Limited	Subsidiary	-	-	33,171,925	33,171,925
Expolanka Pharmaceuticals (Private) Limited	Subsidiary	-	-	-	1,055,040
Akquasun Lanka (Private) Limited	Subsidiary	-	-	16,700,318	319,931
Tropical Green (Private) Limited	Subsidiary	-	-	13,192,336	8,742,000
Globe Air (Private) Limited	Subsidiary	-	-	13,000,000	14,765,624
Norfolk Foods (Private) Limited	Subsidiary	-	-	-	109,368
Akquasun Holiday India (Private) Limited	Subsidiary	-	-	2,294,322	2,063,026
Skycare (Private) Ltd	Subsidiary	-	-	25,690,374	-
Saffron Foods (Private) Limited	Subsidiary	-	-	-	16,770,378
GTS Logistics (Pvt) Ltd	Subsidiary	-	-	-	5,000
Alpha Air Solutions (Pvt) Ltd	Subsidiary	-	-	4,136,214	4,136,214
Alpha Aviation (Pvt) Ltd	Subsidiary	-	-	809,740	809,740
Classic Vacations (Pvt) Ltd	Subsidiary	-	-	-	5,000
Logistic Park (Private) Limited	Subsidiary	-	-	150,000,000	-
Lanka Commodity Holdings (Pvt) Ltd	Affiliate Company	-	-	-	103,500
Lanka Premier Foods (Private) Limited	Affiliate Company	-	-	-	50,000
Aberdeen Holdings (Private) Limited	Affiliate Company	-	92,800	-	92,800
Fits Aviation (Private) Limited	Affiliate Company	-	3,583,184	-	-
		-	3,675,984	1,035,855,699	723,804,551

	Group Collectively impaired Rs.
At 01 April 2014	205,484,537
Charge for the year	58,974,735
Utilised	(31,571,590)
Provision relevant to divested subsidiaries	(27,831,807)
At 31 March 2015	205,055,875

As at 31 March, the ageing analysis of trade receivables, is as follows:

			Past due but not impaired		
	Total Rs.	Neither past due nor impaired Rs.	0-180 days Rs.	181-360 days Rs.	> 360 days Rs.
31 March 2015	11,135,941,316	10,515,482,181	373,428,755	227,301,528	19,728,852
01 April 2014	11,060,127,445	10,374,835,728	396,133,569	259,339,228	29,818,920

10. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2015 Rs.	Restated 2014 Rs.	2015 Rs.	2014 Rs.
Cash at banks and on hand	2,957,659,752	2,473,838,926	700,806,876	285,828,961
	2,957,659,752	2,473,838,926	700,806,876	285,828,961
Cash at banks and on hand	2,957,659,752	2,473,838,926	700,806,876	285,828,961
Bank overdrafts	(1,489,261,255)	(737,716,056)	(435,031,212)	(381,367,617)
Cash and cash equivalents	1,468,398,497	1,736,122,870	265,775,664	(95,538,656)

11. STATED CAPITAL

	2014/2015	
	Number	Rs.
Fully Paid Ordinary Shares	1,954,915,000	4,097,985,000
11.1 Fully Paid Ordinary Shares		
Balance at beginning of the year	1,954,915,000	4,097,985,000
New Share issue	-	-
Direct cost on share issue		-
Balance at end of the year	1,954,915,000	4,097,985,000

12. RESERVES

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Available for Sale Reserve (12.1)	(5,334,726)	(36,075,380)	(12,346,510)	(36,075,380)
Foreign Currency Translation Reserve (12.2)	15,987,836	72,407,147	-	-
	10,653,110	36,331,768	(12,346,510)	(36,075,380)
12.1 Available for Sale Reserve				
Balance as at 1 April	(36,075,380)	(24,926,370)	(36,075,380)	(20,256,133)
Net loss for the year	30,740,654	(15,819,247)	23,728,870	(15,819,247)
Disposal of Subsidiaries	-	4,670,237	-	-
Balance as at 31 March	(5,334,726)	(36,075,380)	(12,346,510)	(36,075,380)
12.2 Foreign Currency Translation Reserve				
Balance as at 1 April	72,407,147	98,220,932	-	-
Currency translation difference during the year	(56,419,312)	(25,813,785)	-	-
Balance as at 31 March	15,987,836	72,407,147	-	-

13. FINANCING AND LEASE (IJARA) PAYABLES

	2015 Rs.	Restated 2014 Rs.
13.1 GROUP		
Current finance cost bearing loans and borrowings		
Finance Leases - Ijara (13.1.1)	63,912,870	74,010,231
Bank Financing (13.1.2)	174,025,847	1,092,604,863
Bank Overdrafts - (finance cost free) (10)	1,054,230,043	356,345,374
	1,292,168,760	1,522,960,467
Non-current finance cost-bearing loans and borrowings		
Finance Leases - Ijara (13.1.1)	91,855,381	117,104,598
Bank Financing (13.1.2)	-	679,172,710
Bank Overdrafts - (finance cost free) (10)	435,031,212	381,370,683
	526,886,593	1,177,647,991

13.1.1 Finance Leases (Ijara)

	As At 01.04.2014 Rs.	New Leases (Ijara) Obtained Rs.	Repayment Rs.	As At 31.03.2015 Rs.	Current As At 31.03.2015 Rs.	Non-Current As At 31.03.2015 Rs.
Net Liabilities	179,066,262	44,823,988	(67,926,829)	155,768,251	63,912,870	91,855,381

13.1.2 Bank Financing

	As At 01.04.2014 Rs.	Finance Obtained Rs.	Repayment Rs.	As At 31.03.2015 Rs.
	1,771,777,572	395,030,791	(1,992,782,517)	174,025,847
	1,771,777,572	395,030,791	(1,992,782,517)	174,025,847

13.1.3 Secrity and repayment terms

Company	Lending Instituion	Nature of facility	Finance rate	Security	Repayment terms	2015	2014
Expolanka Freight (Pvt) Ltd	Commercial Bank	Diminishing Musharakah	LIBOR + 4.75 percent for the first 18 subject to Cap 9 percent and floor 5 percent revisable annually * (LIBOR - 1 month London Inter Bank Offered Rate will be subject to revision every quarter commencing from the date of draw down)	Primary mortgage for USD 5,500,000/- to be executed over land and building at No 390, Awissawella Road, Wellampitiya marked Lots 1,2,3,4,5,6 & Lot 7 and depicted in plan No.6/98 dated 01/02/1998 made by M.C.L.C. Perera Licensed Surveyor containing a total extent of 3A.3R.39.96P and owned by Expolanka (Pvt) Ltd	84 Months with the purchasing of units owned by the bank commencing after 18 months from the date of investment	-	719,675,000

Other Bank finance represent the short term borrowings borrowed with prevailing market finance rates.

13.2 COMPANY

Current finance cost bearing loans and borrowings	2015 Rs.	2014 Rs.
Lease (Ijara) Payables (13.2.1)	4,828,365	4,180,564
	4,828,365	4,180,564
Non-current finance cost-bearing loans and borrowings		
Lease (Ijara) Payables (13.2.1)	6,059,500	10,887,865
Bank Overdrafts - (finance cost free) (10.2)	435,031,212	381,367,617
	441,090,712	392,255,482

13.2.1 Lease (Ijara) Payables

	As at 01.04.2014 Rs.	New Leases (Ijara) Obtained Rs.	Repayments Rs.	As at 31.03.2015 Rs.	Current As at 2015 Rs.	Non-Current As at 2015 Rs.
Gross Liabilities	19,183,135	-	6,358,843	12,824,291	6,189,405	6,634,936
Finance Charges Allocated to future periods	(4,114,707)	-	(2,178,230)	(1,936,477)	(1,361,040)	(575,436)
Net Liabilities	15,068,428	-	4,180,613	10,887,815	4,828,365	6,059,500

14. DEFERRED INCOME TAX

	Group		Company	
	2015 Rs.	Restated 2014 Rs.	2015 Rs.	2014 Rs.
14.1 Deferred Income Tax Assets				
Balance as at the beginning of the period	45,879,011	45,540,882	-	-
Income arisen during the period	21,747,101	4,798,579	-	-
Disposal of Subsidiaries	(2,340,087)	(4,460,449)		
Balance as at 31 March	65,286,025	45,879,011	-	-

Expolanka Holdings PLC has not recognized net deferred tax asset as at 31 March 2015 due to the Company being unable to assess with reasonable certainty that taxable profits would be available to recover the asset in the foreseeable future, against which the tax losses amounting to Rs. 846,264,908/- (2014 - Rs. 680,465,503/-) can be utilized.

14.2 Deferred Income Tax Liabilities				
Balance as at beginning of the year	51,742,363	76,202,476	-	-
Provision made during the period	(14,075,930)	14,324,051	-	-
Tax effect on actuarial gains on defined benefit plans	(599,258)	364,132		
Disposal of Subsidiaries	(7,497,907)	(39,148,296)		
Balance as at end of the year	29,569,268	51,742,363	-	-

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15. RETIREMENT BENEFIT OBLIGATION-GRATUITY

	Group		Company	
	2015 Rs.	Restated 2014 Rs.	2015 Rs.	2014 Rs.
Balance as at Beginning of the Year	266,499,361	291,835,110	12,589,155	9,922,036
Service Charge for the Year	80,535,183	27,164,269	2,116,544	1,715,878
Finance Charge for the Year	1,384,807	34,290,625	1,384,807	1,348,307
Acturial Gain/ Loss	70,300,449	(14,560,868)	1,163,387	651,780
Payments During the Year	(35,741,630)	(35,410,410)	(3,191,375)	(1,048,846)
Exchange Difference	(392,043)	2,341,678	-	-
Disposal of Subsidiaries	(34,664,299)	(39,161,043)	-	-
Balance as at End of the Year	347,921,828	266,499,361	14,062,518	12,589,155

Principal assumption used in determining post employment benefit obligation are shown below:

Discount rate:	10.00%	11.00%	10.00%	11.00%
Salary Increment Rate	7.5%	9.0%	7.5%	9.0%
Expected Remaining Working Life	7.3 Years	7.3 Years	7.3 Years	7.3 Years

Sensitivity of assumptions used - 2015	Discount Rate		Salary Increment	
	Group	Company	Group	Company
Effect on the Defined Benefit Obligation Lability				
Increase by One Percentage Point	11,636,218	1,246,096	(12,937,225)	(1,429,763)
Decrease by One Percentage Point	(13,225,013)	(1,438,958)	11,588,237	1,261,067

Sensitivity information of the Group represent the local subsidiaries data.

16. TRADE AND OTHER PAYABLES

		Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Trade Payables		6,529,845,257	6,346,055,907	5,245,150	8,730,264
Amounts Due to Related Parties (16.1)		-	2,200,594	-	24,508,314
Sundry Creditors including Accrued Expenses		1,300,198,105	1,420,752,962	67,023,081	36,261,256
		7,830,043,362	7,769,009,462	72,268,231	69,499,833
16.1 Amounts Due to Related Parties					
Expolanka Freight (Pvt) Ltd	Subsidiary	-	-	-	24,508,314
Expack Corrugated Cartons (Private) Limited	Affiliate Company	-	2,200,594	-	-
		-	2,200,594	-	24,508,314

17. REVENUE

	Group		Company	
Summary	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Sales of Goods	8,527,572,020	15,197,399,569	-	-
Rendering of Services	44,124,172,293	38,121,680,764	142,547,931	140,010,627
	52,651,744,313	53,319,080,333	142,547,931	140,010,627

18. OTHER OPERATING INCOME AND GAINS

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Other Operating Income	93,243,926	87,500,634	-	11,463,434
Bad Debts Recovery	4,214,940	15,700,154	-	-
Commission Income	26,761,379	28,376,214	-	-
Investment Income	14,338,404	25,209,196	48,353,384	16,043,780
Exchange Gain	152,658,920	88,094,474		
Rental Income	39,697,720	74,582,439	-	-
Management Fees	5,545,800	5,059,680	-	-
Navinna Estate Profit	-	2,297,645	-	-
Profit on Disposal of subsidiaries (18.1)	116,562,143	601,009,816	552,065,834	1,006,103,953
Profit on sale of Investments	3,054,100	-	3,054,100	-
Profit on Disposal of Property, Plant and Equipment	20,986,931	7,207,029	5,727,500	-
Revaluation of Investments	-	61,955,361	-	61,955,361
Dividend Income	394,241	-	69,376,117	102,299,536
	477,458,505	996,992,641	678,576,935	1,197,866,064

18.1 During the year under review, Expolanka Holdings PLC divested Expolanka Teas (Pvt) Ltd, Expolanka Plantations (Pvt) Ltd, Neptune Holdings (Pvt) Ltd, World Spices and Teas (Pvt) Ltd, Castle Commercial (Pvt) Ltd, Bio Extracts (Pvt) Ltd for, Expolanka Pharmaceuticals (Pvt) Ltd and Saffron Foods (Pvt) Ltd to Aberdeen Holdings (Pvt) Ltd for a total consideration of Rs. 740 Million which recorded a gain of Rs. 116.5 Million to the Group and Rs. 552 Million to the Company.

19. FINANCE COSTS

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Finance Charges on Bank Financing	124,663,723	204,818,088	-	-
Finance Charges on Lease (Ijara) liabilities	29,289,524	62,054,908	2,178,230	2,996,032
	153,953,247	266,872,996	2,178,230	2,996,032

20. PROFIT BEFORE TAX

Stated after Charging	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Included in Administrative Expenses				
Employees Benefits including the following				
Defined Benefit Plan Costs - Gratuity	81,919,990	91,342,800	3,501,351	3,064,185
Defined Contribution Plan Costs - EPF and ETF	203,971,849	210,826,151	14,485,156	13,449,945
Depreciation	458,082,221	351,178,745	21,976,410	24,217,228
Directors' Emoluments	216,895,105	211,181,454	29,975,275	35,407,500
Auditors' Remuneration (Fees and Expenses)	35,774,115	30,657,987	4,250,000	4,335,000
Donations	9,116,939	14,707,820	-	30,000
Included in Selling and Distribution Costs				
Advertising Costs	67,877,490	158,184,507	4,508,019	2,360,210

21. INCOME TAX EXPENSE

Current Income Tax	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Current Tax Expense on Ordinary Activities for the Year (21.1)	297,204,640	346,852,427	-	-
10 % of Withholding Tax on Inter-company Dividends	5,093,517	10,613,071	-	-
Deferred Income Tax				
Deferred Taxation Charge/(Reversal)	(35,823,031)	9,525,472	-	-
	266,475,125	366,990,970	-	-

21.1 A reconciliation between tax expense and the product of accounting profit /(loss)

Accounting Profit before Income Tax	1,313,957,932	1,937,112,133	402,837,367	984,076,123
Aggregate Disallowable Items	317,027,889	189,614,666	81,799,416	48,089,845
Aggregate Allowable Expenses	(395,070,377)	(380,483,619)	(25,940,137)	(30,975,106)
Aggregate Allowable Income	(349,875,778)	(722,692,469)	(624,496,051)	(1,170,358,850)
Tax loss Utilised	12,847,666	493,191		
Taxable Profit/(Loss)	898,887,332	1,024,043,901	(165,799,405)	(169,167,989)
Income Tax Expense	54,452,488	70,191,039	-	-
Income Tax on International Operations	242,752,152	276,661,388	-	-
Tax Losses Carried Forward	(1,443,192,693)	(1,027,098,424)	680,465,503	511,297,514
Tax Losses Incurred During the Year	(321,981,821)	(416,587,460)	165,799,405	169,167,989
Tax Loss Utilised	12,847,666	493,191	-	-
Tax Losses Brought Forward	(1,752,326,848)	(1,443,192,693)	846,264,908	680,465,503

22. EARNINGS PER SHARE

22.1 Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

22.2 The following reflects the income and share data used in the basic Earnings Per Share computations.

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Profit attributable to Ordinary Shareholders for basic Earnings Per Share	885,785,600	1,426,005,898	402,837,367	170,317,992
Number of Ordinary Shares used as the denominator:	**Number**	**Number**	**Number**	**Number**
Opening Balance	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000
Weighted Average of During the Year Share Issue				
Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings Per Share	1,954,915,000	1,954,915,000	1,954,915,000	1,954,915,000

22.3 Dividend

Declared and Paid During the Year	Rs. 2015		Rs. 2014	
Interim Dividend	-	-	0.33	645,121,950

23. SEGMENT INFORMATION

Operating Segment	Freight and Logistics		Travel and Leisure		International Trading and Manufacturing		Investments and Services		Total	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Property, Plant and Equipment	1,938,782,258	1,873,448,694	57,564,232	71,794,923	1,302,778,206	1,628,443,766	77,119,599	92,699,811	3,376,244,294	3,666,387,194
Other Financial Assets	35,527,870	224,549,512	-	-	-	-	249,141,345	297,195,206	284,669,214	521,744,718
Other Non-current Assets	911,979,623	721,596,010	21,514,780	19,324,726	13,879,384	23,690,621	3,943,003,409	4,044,743,644	4,890,377,197	4,809,355,000
Segment Non-current Assets	2,886,289,751	2,819,594,215	79,079,012	91,119,649	1,316,657,590	1,652,134,387	4,269,264,353	4,434,638,661	8,551,290,705	8,997,486,913
Investments in Subsidiaries									(4,662,969,641)	(4,708,153,875)
Goodwill									457,460,333	457,460,333
Eliminations / Adjustments									298,580,708	112,667,421
Total Non-current Assets									4,644,362,104	4,859,460,791
Inventories	2,123,198	1,231,719	202,346	191,706	174,669,496	765,409,806	-	-	176,995,040	766,833,231
Trade and Other Receivables	10,452,523,924	10,165,466,035	891,821,041	853,446,732	880,518,746	2,262,398,545	2,627,967,239	1,288,153,387	14,852,830,949	14,569,464,700
Other Financial Assets	55,194,468	60,450,165	33,950,336	25,568,702	35,370	33,870	451,405,030	647,494,130	540,585,203	733,546,867
Cash and Bank Balances	1,970,258,337	1,683,685,740	80,325,662	60,951,132	74,547,723	243,336,636	832,528,030	485,865,417	2,957,659,752	2,473,838,925
Other Current Assets	1,218,175,834	707,716,665	371,805,286	162,486,223	66,743,570	93,972,166	324,392,760	308,943,425	1,981,117,450	1,273,118,480
Segment Current Assets	13,698,275,761	12,618,550,325	1,378,104,670	1,102,644,495	1,196,514,905	3,365,151,023	4,236,293,059	2,730,456,359	20,509,188,395	19,816,802,202
Eliminations / Adjustments									(3,161,012,701)	(2,809,513,141)
Total Current Assets									17,348,175,693	17,007,289,061
Total Assets									21,992,537,798	21,866,749,852
Financing and Lease (Ijara) Payables	285,033,039	1,276,611,129	222,617,677	13,813,238	65,771,806	33,512,479	445,263,731	392,255,482	1,018,686,253	1,716,192,328
Other Non-Current Liabilities	243,081,243	171,185,004	24,236,379	17,773,627	68,639,167	91,169,692	41,534,305	38,113,402	377,491,094	318,241,725
Segment Non-Current Liabilities	528,114,282	1,447,796,133	246,854,056	31,586,864	134,410,973	124,682,172	486,798,036	430,368,883	1,396,177,347	2,034,434,052
Eliminations / Adjustments									(491,799,659)	(538,544,337)
Total Non-Current Liabilities									904,377,688	1,495,889,715
Financing and Lease (Ijara) Payables	1,002,454,929	440,333,256	61,106,142	223,165,682	449,769,440	1,013,133,424	57,462,158	18,626,176	1,570,792,669	1,695,258,538
Trade and Other Payables	7,118,490,941	6,592,635,376	852,486,204	717,015,194	978,363,261	2,267,743,882	1,824,220,137	916,001,751	10,773,560,542	10,493,396,203
Other Current Liabilities	314,874,322	287,711,933	5,832,304	1,159,560	-	461,454	27,420,784	24,158,938	348,127,409	313,491,885
Segment Current Liabilities	8,435,820,191	7,320,680,565	919,424,650	941,340,437	1,428,132,701	3,281,338,760	1,909,103,078	958,786,864	12,692,480,620	12,502,146,626
Eliminations / Adjustments									(3,222,141,088)	(2,896,684,811)
Total Current Liabilities									9,470,339,532	9,605,461,815
Total Liabilities									10,374,717,220	11,101,351,530
Total Segment Asset	16,584,565,511	15,438,144,540	1,457,183,682	1,193,764,144	2,513,172,494	5,017,285,409	8,505,557,411	7,165,095,021	29,060,479,099	28,814,289,115
Total Segment Liabilities	8,963,934,474	8,768,476,698	1,166,278,706	972,927,301	1,562,543,673	3,406,020,932	2,395,901,115	1,389,155,747	14,088,657,967	14,536,580,678

Operating Segment	Freight and Logistics		Travel and Leisure		International Trading and Manufacturing		Investments and Services		Total	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Revenue	40,649,634,437	34,778,370,979	2,793,009,726	2,352,970,098	8,527,572,020	14,513,360,789	681,528,129	1,674,378,467	52,651,744,313	53,319,080,333
Cost of Sales	(34,210,316,756)	(28,924,156,386)	(2,025,121,925)	(1,691,483,650)	(7,660,342,073)	(13,325,502,641)	(238,855,450)	(919,890,929)	(44,134,636,204)	(44,861,033,605)
Other Operation Income	256,567,489	203,790,261	30,896,506	35,579,270	19,655,034	56,105,778	170,339,475	701,517,332	477,458,504	996,992,641
Overhead	(5,294,906,603)	(4,744,931,412)	(642,728,099)	(613,260,140)	(813,377,589)	(1,199,848,907)	(941,813,072)	(995,011,598)	(7,692,825,363)	(7,553,052,058)
Share of Profit of an Associate	(15,852,703)	-	367,766	376,737	-	-	27,701,619	34,748,084	12,216,682	35,124,822
Profit Before Tax	1,385,125,864	1,313,073,441	156,423,974	84,182,316	73,507,393	44,115,019	(301,099,298)	495,741,356	1,313,957,932	1,937,112,132
Income Tax Expense	(261,376,097)	(250,993,192)	(16,763,339)	(18,532,791)	(1,985,083)	(27,380,517)	13,649,395	(70,084,470)	(266,475,125)	(366,990,970)
Profit for the year	1,123,749,766	1,062,080,249	139,660,635	65,649,525	71,522,310	16,734,502	(287,449,904)	425,656,886	1,047,482,807	1,570,121,162

24. RELATED PARTY DISCLOSURES

The Company carried out transactions in the ordinary course of business with the following related entities. The list of directors at each of the subsidiary, joint venture and associate companies have been disclosed in the group directory.

24.1 Transaction with related entities

	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Subsidiaries				
Management Fees Charged			7,424,063	8,394,000
Technical Fees Charged			131,095,648	119,594,003
Secretarial Fees Charged			4,028,220	4,752,000
Dividend Received			80,553,778	96,090,246
Settlement of Liabilities by the Company on Behalf of Subsidiaries			7,698,188	3,945,464
Settlements by Subsidiaries			5,770,968	2,430,842
Advance to Subsidiary			506,560,354	90,617,879
Settlement of Advances by Subsidiaries			106,879,770	24,000,000
Net Advances			-	250,000,000
Wakala Finance			70,000,000	383,000,000
Wakala Settlements by Subsidiaries			22,000,000	117,600,000
Other financial assets consists of short term intercompany investment of Rs. 478,224,310/- and Rs. 430,224,310/- as at 31 March 2015 and 31 March 2014 respectively.				
Affiliates				
Management Fees Charged			-	1,594,668
Technical Fees Charged			-	4,619,156
Secretarial Fees Charged			-	531,800
Other Related Entities and Controlled by Key Management Personnel and Affiliates				
Provide of Services	79,677,259	60,370,673	-	-
Settlement of liabilities on Behalf of the Company	45,889,589	45,271,873	-	-

* Other related entities includes Denshun Industries (Private) Limited, Fits Aviation (Private) Limited and Expack Corrugated Cartons (Private) Limited

24.2 Transactions with Key Management Personnel (KMP) of the Company

Key management personnel include members of the Board of Directors of Expolanka Holdings PLC and its subsidiary companies.

Key Management Personnel Compensation	Group		Company	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Short-term employee benefits	216,895,105	211,181,454	29,975,275	35,407,500
	216,895,105	211,181,454	29,975,275	35,407,500

25. ASSETS PLEDGED

Nature of Liability	Company	Carrying Amount		Pledged Amount		Included Under
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	
Diminishing Musharakah on behalf of Expolanka Freight (Private) Limited	Expolanka (Private) Limited	-	446,388,897	-	719,675,000	Property, Plant and Equipment

26. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no circumstance which required adjustments to or disclosures in the financial statements other than mentioned above.

27. COMMITMENTS AND CONTINGENCIES

27.1 COMPANY

The Company does not have significant capital commitments as at the Reporting date.

27.2 GROUP

27.2.1 Indemnification of VAT liability - APIIT

During the period the Company has divested their investment in APIIT. Based on the agreement made and entered, the Company has taken over the 37 percent of the applicable liability of assessment raised by the department of Inland Revenue for the period 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 up to 31 December 2010 on Value Added Tax. Currently this is under the Courts of Appeals, Colombo. The total contingent liability amount to approx. Rs. 119 Mn

27.2.2 Income Tax assessment Expolanka Freight (Pvt) Ltd

The company has received an assessment from the Department of Inland Revenue for exemptions claimed under section 13ddd, 13b(ii) of Inland Revenue Act on income received in foreign currency. The company has made an appeal against the assessment.

27.2.3 Income Tax Assessment on SG Logistics (Pvt) Ltd

The company has received an assessment from the Department of Inland Revenue for exemptions claimed under section 13ddd of Inland Revenue Act on income received in foreign currency. The company has made an appeal against the assessment.

27.2.4 – Expo Freight India (Pvt) Ltd

Expo Freight India has received an intimation from India Tax Authorities for in relation to Service Tax on certain revenue streams. The management view of Expo Freight India, based on expert legal and tax advice is that the International Freight Forwarding services provided by the company, do not fall under the category of such Service Tax. However Management has sought clarity on the above from Tax Authority and is pending as at reporting date.

27.2.5 Capital Expenditure Commitments

The Group does not have significant capital commitments as at the reporting date.

27.2.6 Contingent liabilities

The Group has given corporate guarantees to the following parties on behalf of the Group companies to obtain finance facilities. Based on the information currently available, Directors do not expect liabilities to arise from this guarantee.

	2015 Rs.	2014 Rs.
Institution		
National Development Bank PLC	675,000,000	1,475,000,000
Commercial Bank of Ceylon PLC	16,900,000	630,000,000
Sampath Bank PLC	350,000,000	350,000,000
Pan Asia Banking Corporation PLC	500,000,000	500,000,000
Standard Chartered Bank	950,000,000	950,000,000
Muslim Commercial Bank (Pvt) Ltd	-	375,000,000
Bank of Ceylon	40,000,000	-
Others	558,000,000	211,000,000
	3,089,900,000	4,491,000,000

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial liabilities comprise short and long term borrowings, trade and other payables, and trade and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available – for – sale investments.

The Group is exposed to market risk, credit risk and liquidity risk.

The Board of Directors and Group's senior management oversees the management of these risks. Reviews and agrees policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: finance rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits and available for sale investments.

Finance rate risk
Finance rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The rates applied to Groups short term borrowings are fixed periodically. The Group manages its finance rate risk by aggressively negotiating rates for short and long term borrowings and having a portfolio of facilities from various financial institutions which gives avenues to use the facility based on competitive rates. As Majority of the Groups revenue is generated in USD, this helps the group in securing short and long term borrowings in USD at competitive rates.

Finance rate sensitivity
The finance rate sensitivity determines the impact of a change in the finance rate to the Group's profit before tax. The long term borrowing which existed as of the previous financial year has been fully settled during the current financial year.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk through natural hedging mechanism where it has implemented techniques of leading and lagging of FOREX transactions.

Equity price risk
The Group's listed and unlisted equity securities are susceptible to market-price risk arising from uncertainties about future values of the investment securities.

At the reporting date, the Group exposure to quoted equity securities at market value was Rupees 118,644,351. A 60.7 percent increase in comparison to the previous financial year where the market value stood at Rupees 73,823,152.

At the reporting date, the Group exposure to non-quoted equity securities at carrying value was Rupees 451,440,400.This is a decrease of 3.8 percent on the carrying value which was held in FY 2014 for Rupees 469,495,101.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has a robust policy to assess the creditworthyness of the parties it transact with. The parties who aspire to trade in credit terms have to go through a credit verification process. The Group also has continuous dialogue with the respective parties to monitor the receivables position.

Trade and Other receivable
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

Liquidity risk
The Group manages liquidity risk exposure through effective working capital management. The Company also has planning guidelines in place to ensure that the short term and medium term liquidity is managed at acceptable levels.

The table below summarises the maturity profile of groups financial liabilities based on contractual undiscounted payments.

Year ended 31 March 2015	Less than 1 year	Above 1 year	Total
Bank Financing	174,025,847	-	174,025,847
Finance Leases (Ijara)	63,912,870	91,855,381	155,768,251
Trade and other payables	7,830,043,362		7,830,043,362

29. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Company Name	Country of incorporation and operation	2015	2014
Expolanka Bangladesh Limited	Bangladesh	55.00%	55.00%
Expo Freight India Holdings (Private) Limited	India	10.00%	10.00%
Expolanka Freight (Vietnam) Limited	Vietnam	49.00%	49.00%
Expolanka USA LLC	USA	30.00%	30.00%

	2015 Rs.	2014 Rs.
Accumulated Balances of Material Non - Controlling Interest	616,806,029	544,219,517
Profit allocated to Material Non - Controlling Interest	118,633,837	73,197,611

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised Statement of Profit or Loss	2015	2014
Revenue	23,216,040,613	22,752,732,018
Cost of Sales	(20,658,647,657)	(20,213,176,444)
Administrative Expenses	(2,231,759,221)	(2,154,505,484)
Finance Costs	(38,566,063)	(28,757,453)
Profit Before Tax	538,173,514	385,620,674
Income Tax	(129,321,256)	(140,049,687)
Profit for the Year	408,852,258	245,570,987
Total Comprehensive Income	(38,413,246)	-
Attributable to Non-controlling Interests	118,633,837	73,197,611
Dividends Paid to Non-controlling Interests	(37,346,100)	(40,301,653)

Summarised Statement of Financial Position	2015	2014
Current Assets	5,238,365,686	3,503,099,265
Non- Current Assets	1,004,512,048	794,583,588
Current Liabilities	3,454,067,099	2,246,589,976
Non- Current Liabilities	96,857,538	109,992,753
Total Equity	2,177,265,603	1,941,100,124
Attributable to:	-	-
Equity Holders of Parent	1,560,459,574	1,396,880,607
Non-controlling Interest	616,806,029	544,219,517

Summarised Cash Flow Information	2015	2014
Operating	136,234,519	264,683,157
Investing	(308,376,349)	(245,705,977)
Financing	115,868,950	(298,072,674)
Net Increase / (Decrease) in Cash and Cash Equivalents	(56,272,879)	(256,535,776)

Group Real Estate Portfolio

Owning Company & Location	Buildings in SQ.FT	Free Hold Land in Perches	Net Book Value 2015
Properties in Colombo			
Expolanka Pvt Limited	4,530	23.50	110,280,000
No 10, Mile post Avenue, Kollupitiya , Colombo 3			
Properties Outside Colombo			
Expolanka Freight Pvt Ltd	20,881	303.50	261,131,305
No 69, Ramyaweera Mawatha, Kittampahuwa, Wellampitiya			
Expolanka Freight Pvt Ltd		30.97	15,535,000
No 73/2,Ramyaweera Mawatha, Kittampahuwa, Wellampitiya			
Expolanka Pvt Limited	90,500	324.00	421,942,781
No. 245/49 & 245/50,Avisawella Road, Orugodawatte, Wellampitiya			
Expolanka Pvt Limited	135,609	555.26	1,071,631,050
No 390, Avisawella Road, Orugodawatte, Wellampitiya			
Pulsar Shipping Agencies (Pvt) Ltd	1,200	15.75	5,780,300
2/24th Portion of Bogahawatta, Galu Piyadda, Galle			
Properties Outside Sri Lanka			
Expolanka Freight Pvt Ltd	22,367	41.08	48,997,220
No. 23 – 25, Brabazon Road, Croydon, Kempton Park 1619, Johannesburg, South Africa			
Expo Freight Limited		105.58	73,340,899
Savar, Dhaka, Bangladesh			
			2,008,638,555

5 Year Summary

31st March In Rs. Millions	2014/15	2013/14	2012/13	2011/12	2010/11
OPERATING RESULTS					
Group Revenue	52,652	53,319	50,075	35,415	41,067
EBIT	1,456	2,169	1,882	1,796	2,115
Finance Expenses	(154)	(267)	(227)	(137)	(256)
Share of Results of Associates	12	35	15	5	0
Profit Before Tax	1,314	1,937	1,670	1,664	2,309
Tax Expenses	(266)	(367)	(392)	(455)	(540)
Profit After Tax	1,047	1,570	1,279	1,210	1,768
Attributable to:					
Non Controlling Interest	162	144	218	176	222
Equity Holders of the Parent	886	1,426	1,061	1,033	1,547
CAPITAL EMPLOYED					
Share Capital	4,098	4,098	4,098	4,098	1,783
Capital Reserves	11	36	73	119	(9)
Revenue Reserves	6,518	5,702	4,910	4,037	3,210
Minority Interest	991	929	1,156	964	749
Total Equity	11,618	10,765	10,237	9,219	5,733
Total Debt	1,819	2,701	2,662	2,029	2,274
CAPITAL EMPLOYED	13,437	13,466	12,899	11,248	8,007
ASSETS EMPLOYED					
Property Plant and Equipment	3,376	3,666	4,221	3,420	2,863
Other Non Current Assets	1,268	1,193	1,262	912	584
Current Assets	17,348	17,007	16,865	13,022	10,545
Liabilities Net of Debt	(8,556)	(8,401)	(9,449)	(6,107)	(5,985)
ASSETS EMPLOYED	13,437	13,466	12,899	11,248	8,007
CASH FLOW					
Cashflow from Operating Activities	320	373	1,064	(329)	2,028
Cashflow from / (used in) Investing Activities	399	417	(1,172)	(1,361)	97
Cashflow from / (used in) Financing Activities	(941)	(431)	(46)	1,744	(1,339)
Net Increase / (Decrease) in Cash and Cash Equivalents	(268)	340	(186)	194	765
KEY INDICATORS					
Basic Earnings Per Share (Rs.)	0.453	0.729	0.543	0.529	0.868
Finance Cost Cover (no. of times)	9.5	8.1	8.3	13.1	8.3
Net Assets Per Share (Rs.)	5.44	5.03	4.65	4.22	3.22
Debt / Equity Ratio (%)	15.7	25.1	26.0	22.0	39.7
Dividend Payout (Rs. Millions)		645	235	235	
Current Ratio (no.of.times)	1.8	1.8	1.5	1.8	1.5
Market Price Per Share (Rs.)	8.5	8.7	6.8	6.2	

Share Information

Key Developments

The Shareholding of Expolanka Holdings PLC (Expo) underwent a strategic change with the acquisition of Expo shares by SG Holdings Global (Pte.) Ltd. (SGH)

SGH currently owns 51.43 percent of shares of Expolanka Holdings PLC.

Trading Summary 1 April 2014 – 31 March 2015

Number of Shares in Issue	1,954,915,000
Number of Shares Traded during the Year	795,086,839
Number of Transactions for the Year	12,063
Value of Shares Traded During the Year (Rs. Million)	8,372,295,042.40
Market Capitalization as of 31 March 2015	16,616,777,500

The Expo share achieved a Market Capitalization of Rs. 16.6 BN at the end of the year and was stable at this level throughout the latter part of the Financial Year.

The significant volume that was traded during the year was mainly due to the acquisition of Expo by SGH

The movement of the Share price as of 31 March over the last four years is reflected in the below diagram.

A further analysis of the Expo Share performance over the last three years is reflected in the below table.

	31-Mar-2015	31-Mar-2014	31-Mar-2013
Highest (Rs.)	10.80	9.90	8.10
Lowest (Rs.)	8.50	6.50	5.50
Closing (Rs.)	8.50	8.70	6.80

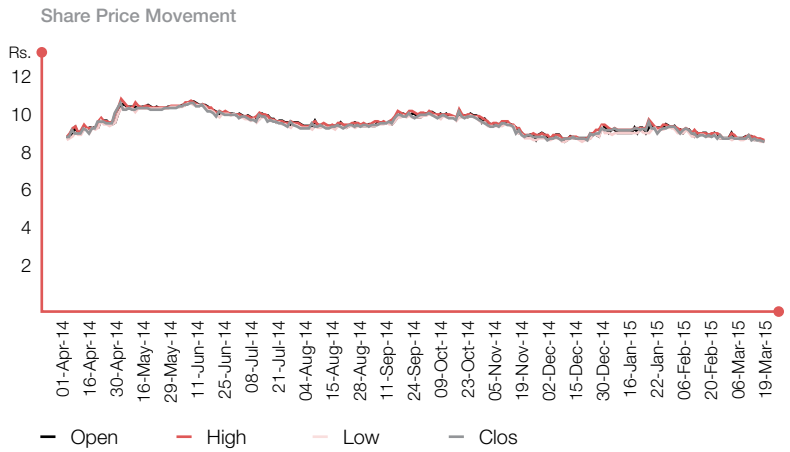
Expo Share Performance

The movement of the Expo Share price during the 4 quarters is given below.

	High	Low	Closing	Volume of shares Traded
1st Quarter	10.80	8.60	10.00	734,813,686
2nd Quarter	10.20	9.10	9.80	31,204,501
3rd Quarter	10.30	8.50	8.60	16,553,858
4th Quarter	9.70	8.50	8.50	12,514,794

The Share price peaked during the first quarter which coincided with the acquisition of Expo by SGH. The Share has subsequently stabilized and closed at 8.50 as at the end of the year.

The below graph indicates the movement of the Expo share price during the year.

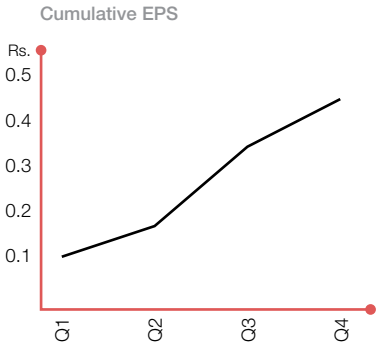


Share Valuations

The Share Valuations are provided below for Expolanka Holdings PLC consolidated performance.

	2015	2014	2013	2012
Net Asset Per Share	5.44	5.03	4.65	4.29
Earnings Per Share	0.45	0.74	0.54	0.548
Trailing P/E Multiple	18.89	11.91	12.03	11.31
ROE	9.02%	14.58%	12.49%	13.12%

The EPS of the company has gradually improved during the year particularly from the third quarter onwards and has stabilized at Rs. 0.45 at the end of the year. This is a reflection of the improvement of the performance of the company from the second half of the Financial Year.



Share Distribution

The Expo Share is owned by a base of 6,782 voting registered shareholders as at 31st March 2015. The Distribution of the Shares held by these shareholders is given below.

Range of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
1 – 1,000	3,163	2,355,451	0.12
1,001-10,000	2,917	12,699,212	0.65
10,001 – 100,000	664	21,296,267	1.09
100,001 – 1,000,000	80	21,184,639	1.09
Over 1,000,000	13	1,897,379,431	97.05

Analysis of Shareholding

Resident / Non Resident

	No. of Shareholders	No. of Shares	% of Shares
Resident	6,782	880,366,012	45.04
Non-Resident	60	1,074,548,988	54.96

Individuals / Institutional

	No. of Shareholders	No. of Shares	% of Shares
Individuals	6,679	847,472,662	43.35
Institutional	163	1,107,442,338	56.65

Public Holding of Shares

As of 31 March 2015, the Public Holding of Expolanka Holdings PLC shares stood at 639,344,957 shares which amounts to 32.70 percent of the issued Share Capital

Shareholding by Directors

The Following table indicates the Number of Shares held by the Board of Directors of the company

Name	No. of Shares
Mr. Nobuaki Kondo	-
Mr. Hanif Yusoof(Group CEO)	147,021,464
Mr. Naosuke Kawasaki	-
Mr. Osman Kassim	163,191,899
Mr. Yoshifumi Matsubara	-
Mr. Motonori Matsuzono	-
Mr. Sanjay Kulatunga	-
Mr. Harsha Amarasekera	-
Mr. Toji Shiho	
Total	310,213,363

The Shareholding of the Spouses and Children under 18 years of the Directors

The following table shows the Shareholding of individuals who are Spouses and children under 18 years of the Directors of the Company

Name	No. of Shares
Mrs.Khairunnisa Kassim	7,000
Total	7,000

Twenty Largest Shareholders as at 31 March 2015

The below tables provides the details of the 20 Top Shareholders of Expolanka Holdings PLC as at 31 March 2015

No.	Name of Shareholder	No. of Shares	%
1	SG Holdings Global (Pte.) Ltd	1,005,349,680	51.43
2	Mr. Osman Kassim	163,191,899	8.35
3	Mr. Shafik Kassim	163,191,899	8.35
4	Mr. Sattar Kassim	161,944,128	8.28
5	Mr. Farook Kassim	160,741,899	8.22
6	Mr. Hanif Yusoof	147,021,464	7.52
7	HSBC INTL NOM LTD-SSBT-WASATCH INTERNATIONAL OPPORTUNITIES FUND	42,897,800	2.19
8	Janashakthi General Insurance Ltd	10,038,263	0.51
9	HSBC INTL NOM LTD-BBH-MATTHEWS EMERGING ASIA FUND	9,348,946	0.48
10	HSBC INTL NOM LTD-BBH-GRANDEUR PEAK EMERGING MARKETS OPPORTUNITIES FUND	8,266,517	0.42
11	Guardian Capital Partners PLC	6,845,150	0.35
12	HSBC INTL NOM LTD-BBH-GRANDEUR PEAK GLOBAL REACH FUND	5,864,300	0.30
13	Janashakthi Insurance PLC (Policy Holders)	3,780,100	0.19
14	Employees Trust Fund Board	3,486,700	0.18
15	Bank of Ceylon No. 1 Account	1,657,820	0.08
16	Mr. Pusparaj Nadesapillai	1,455,900	0.07
17	Mr. Weerasinghe Amarakoon Mudiyanselage	1,156,966	0.06
18	Mr. Shiraz Hussein	1,140,000	0.06
19	Mr. Jinadasa Wetthinge Andaradeniya Estate (Pvt) Ltd, Batuwangala Tea Factory	1,000,000	0.05
20	Lanka Orix Finance Company PLC	1,000,000	0.05
		1,899,379,431	97.16

Notice of Meeting

Notice Is Hereby Given That The Annual General Meeting Of Expolanka Holdings PLC Will Be Held at the Bougainvillea, Galadari Hotel, No. 64, Lotus Road, Colombo 01 on Monday, 03rd August 2015 at 4.30 P.m

Agenda

1. To consider and adopt the Annual Report of the Board of Directors on the Affairs of the Company and the Statements of Accounts for the Financial year ended 31st March 2015 with the Report of the Auditors thereon.

2. To re-elect Mr. Hanif Yusoof, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.

3. To re-elect Mr. Shiran Harsha Amarasekera, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.

4. To re-elect Mr.Yoshifumi Matsubara, who in terms of Article 86 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.

5. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorize the Directors to determine their remuneration.

6. To authorize the Directors to determine contributions to charities for the financial year ending 31st March, 2016.

By Order of the Board

of Expolanka Holdings PLC
S S P Corporate Services (Private) Limited
Secretaries

No.101, Inner Flower Road,
Colombo 03
09th July 2015

Note:-
A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a Proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Secretaries, No.101, Inner Flower Road, Colombo 03.

Security Check:-
We shall be obliged if the shareholders/proxies attending the Annual General Meeting produce their National Identity Card to the security personnel stationed at the entrance.

Form of Proxy

I/We ..... of

.....

being a member/members of Expolanka Holdings PLC hereby appoint (i) .....

..... of

..... failing him/her

(ii) Nobuaki Kondo, Chairman of Expolanka Holdings PLC or failing him any one of the Directors of the Company as *my/our proxy to vote as indicated hereunder for *me/us and on *my/our behalf at the Annual General Meeting of the Company to be held on Monday, 03rd August 2015 at 4.30pm at the Galadari Hotel, No 64, Lotus Road, Colombo 01 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	FOR	AGAINST
1. To consider and adopt the Annual Report of the Board of Directors on the Affairs of the Company and the Statements of Accounts for the Financial year ended 31st March 2015 with the Report of the Auditors thereon.		
2. To re-elect Mr. Hanif Yusoof, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.		
3. To re-elect Mr. Shiran Harsha Amarasekera, who in terms of Article 86 of the Articles of Association of the Company retires by rotation at the Annual General Meeting as a Director.		
4. To re-elect Mr.Yoshifumi Matsubara, who in terms of Article 86 of the Articles of Association of the Company retires at the Annual General Meeting as a Director.		
5. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors and authorize the Directors to determine their remuneration.		
6. To authorize the Directors to determine contributions to charities for the financial year ending 31st March, 2016.		

Signed this ..... day of .....Two Thousand and Fifteen.

Signature: .....

Note :
(a) *Please delete the inappropriate words.
(b) Instructions are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address, your instruction as to voting, by signing in the space provided and filling in the date of signature.

2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the proxy in his/her discretion may vote as he/she thinks fit.

3. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries at No.101, Inner Flower Road, Colombo 03 at least 48 hours before the time appointed for the holding of the Meeting.

4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the form of proxy for registration, if such power of attorney has not already been registered with the Company

Note:
If the shareholder is a Company or body corporate, Section 138 of Companies Act No.7 of 2007 applies to Corporate Shareholders of Expolanka Holdings PLC. Section 138 provides for representation of Companies at meetings of Companies. A Corporation, whether a Company within the meaning of this act or not, may-where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorized as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represent as that Corporation could exercise if it were an individual shareholder.

Corporate Information

Name of Company
Expolanka Holdings PLC

Legal Form
The Company is a Public Limited Liability Company. Incorporated in Sri Lanka on 05th March 2003 as a Private Limited Liability Company under the Companies Act No. 17 of 1982 and re-registered on 11th November 2008 as a Public Limited Liability Company under the Companies Act No 07 of 2007. Currently ordinary shares have been listed on the Colombo Stock Exchange.

Company Registration Number
P B 744

Board of Directors
Nobuaki Kondo – Chairman
Hanif Yusoof – Chief Executive Offi¬cer
Osman Kassim
Harsha Amarasekera
Sanjay Kulatunga
Naosuke Kawasaki
Yoshifumi Matsubara
Motonori Matsuzono
Toji Shiho

Registered office of the Company
10, Milepost Avenue,
Colombo 03
Sri Lanka

Audit Committee
Sanjay Kulatunga – Chairman
Harsha Amarasekera

Remuneration Committee
Harsha Amarasekera – Chairman
Sanjay Kulatunga

Contact Details
P. O. Box 1162
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Sri Lanka

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Facsimile : +94 11 4659565
Internet : www.expolanka.com

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Investor Relations
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Colombo 03
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Facsimile : +94 11 4659565
Web : www.expolanka.com
E mail : investor@expolanka.com

Company Secretaries
SSP Corporate Services (Private) Limited
P V 931
101, Inner Flower Road
Colombo 03
Sri Lanka

Telephone : +94 11 2573894
+94 11 2576871
Facsimile : +94 11 2573609

Company Auditors
Ernst and Young
Chartered Accountants
201, De Seram Place
P. O. Box 101
Colombo 10
Sri Lanka

G4-3,5,7 →

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Business Beyond Borders

www.expolanka.com